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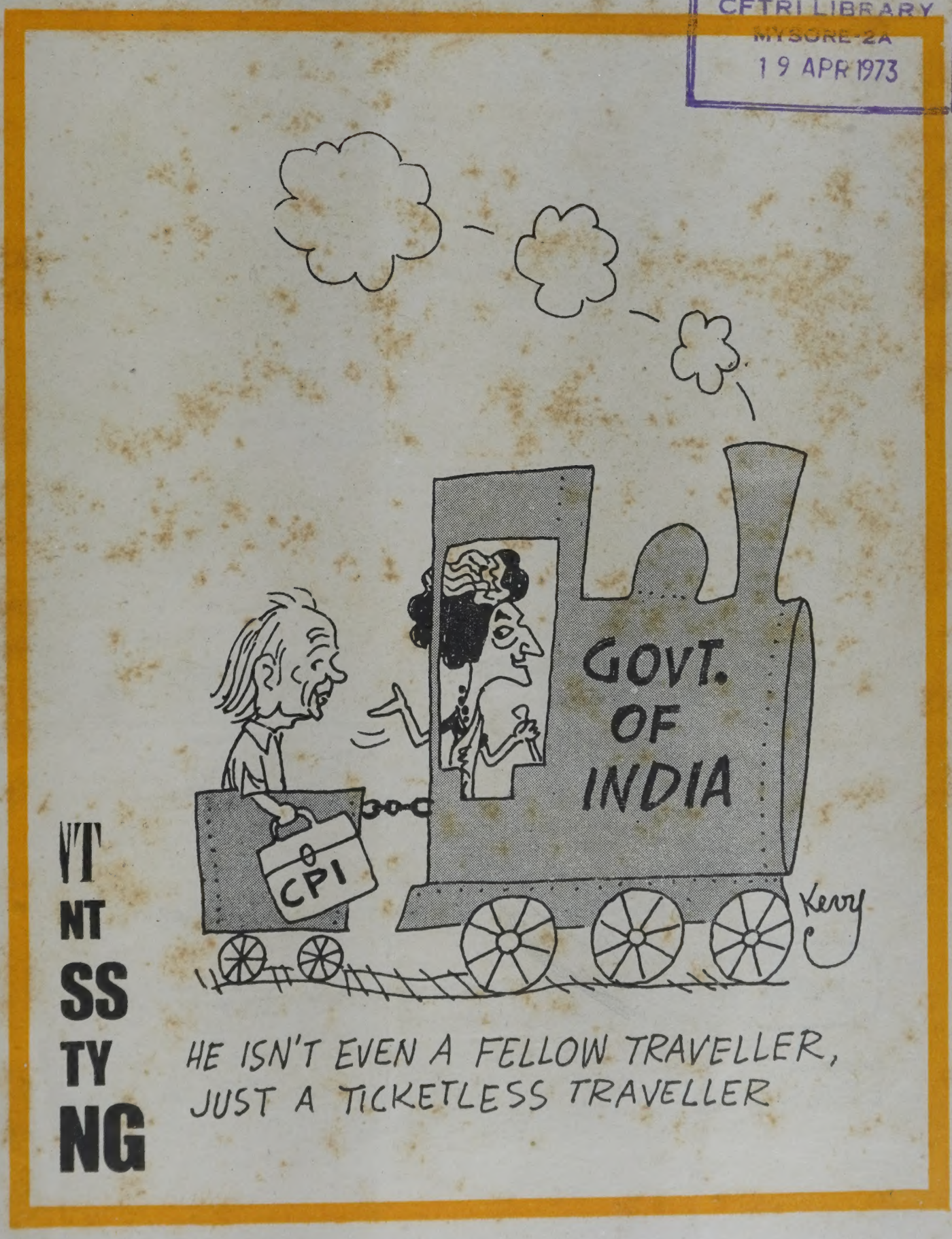
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FICCI smiles and smiles

THE SPEECHES at the inaugural meeting of the latest session of the Federation of Indian Chambers of Commerce and Industry in New Delhi created the uneasy impression that this annual ceremony was well on its way to settling down as a ritualistic routine. Things were not always like this. There were occasions in the past when views clashed or even ideas were locked in battle. More than once a president of the FICCI had criticised government policies without pulling punches and more than once, again, the late Jawaharlal Nehru had spoken even angrily of business attitudes with which he happened to disagree. More recently both the government and the FICCI have been ordering these things rather differently and this year's proceedings showed that the two parties have reached what is probably a near-perfect understanding.

It must be said in fairness to the outgoing president of the FICCI, Mr Madanmohan Mangaldas, that he did place before the prime minister a factual account of the present economic circumstances of the country. He pointed out that there had been a deterioration in the economic situation in the last 12 months and proceeded to spell out how or where the country had been losing. Production of foodgrains had slumped and large areas in several parts of the country were drought-ridden. Buffer stocks of foodgrains had been run down and it had again become necessary to effect imports. Prices had been rising by about one per cent per month. There was acute shortage of power, both thermal and hydel, that crippled economic growth and adversely affected even the defence sector. Unemployment and under-employment had increased. There had also been a recrudescence of sub-regionalism and linguism.

Thus ran Mr Mangaldas's catalogue of the current ills of the nation. But, then, he went on to reassure the prime minister that he for one was convinced that everything would turn out well in the end. It may be doubted that his touching faith in the country's future is widely shared in the business community. After all, in the subsequent passages of his speech, he himself came close to suggesting as tactfully as possible that wrong policies or wrong attitudes on the part of the government were bedevilling the country's economic progress. This being so, unless Mr Mangaldas has access to evidence that these policies or attitudes are changing or are likely to change for the better, his reliance on the assumed resilience of the economy or its alleged capacity to survive indefinitely the damage which is being done to it by adventurist or unrealistic government decisions or actions may easily be found to have been misplaced.

The outgoing president of the FICCI has been credited in many quarters with a programme for building a bridge of cordiality and understanding with the government now in power in New Delhi. It would be interesting to know from him to what extent he thinks he has been successful in using the opportunities of his office to this end. It is true that a certain amount of verbal warmth has been created and this certainly is not without its justification or uses. There is no reason why communication or even exchanges between government and business should not proceed at the most civilised level possible, particularly on the personal plane, but if we are to judge by what the government has been doing (or not doing) in the last twelve months in the area of its economic policies or responsibilities, we do not have much reason to assume that the FICCI leadership during this period has won any famous victory for industrial growth.

The incoming president, Mr Charat Ram, gave enough proof even in his short speech proposing a vote of thanks to the prime minister for inaugurating the session that he was resolved to be even more sweetly reasonable than his predecessor in building bridges of co-operation with the present government in New Delhi. It is always less easy to discourage good intentions than bad ones and, in any case, we certainly have no objection to Mr Charat Ram labouring to carry on Mr Mangaldas's good work to new heights of constructive dialogues with the government. But we do doubt that soft words will be any more successful in the future than they have been in the past in breaking bones.

Perhaps neither the outgoing president of the FICCI nor the incoming one is sufficiently aware of the fact that right now a mood of militancy is spreading across the length and breadth of the business community in this country. Hundreds of thousands of small men are finding their livelihood threatened by the relentless tactics of government take-over of trade or industry. This mood has nothing to do with the apprehensions of a handful of big industries, but has everything to do with the fear of forced unemployment or shrinking opportunities for livelihood which a

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numerous community of small people engaged in trade or commerce at various levels and in different capacities have come to feel in their bones.

The FICCI perhaps is too much of an apex agency to be in touch with the emotions or thoughts of all these rank-and-file businessmen. In any case it seems to have developed its own brand of high politics. Fortunately, its constituent units do not seem to have lost communication to the same extent with the small individuals who make up the vast majority of the business community. The active interest shown by the Indian Merchants Chamber, Bombay, in the concern felt by the foodgrain trade over the latest developments in the government's food policy is a case in point. The prime minister, in her speech to the FICCI, emphasised with smug satisfaction that the business community, after all, was only a small section of the population. If, in saying this, she was thinking only of the FICCI or its leadership, she was probably right. But, then, there are certainly more traders or even industrialists in this country than the annual session of the FICCI can accommodate. Even in terms of numbers they may prove to be less expendable than the prime minister imagines.

Steel re-rollers and their future?

THE SEMINAR on "the future product-mix for steel industry and the role of re-rollers and mini steel plants in the future development of the steel industry" held in the capital on March 30 turned out to be an attempt to justify the existence of steel plants of small sizes. It was Mr Viren J. Shah, Chairman, Steel Re-rolling Mills' Association (SRMA) who put forward a forceful case on behalf of the billet and scrap re-rollers. Five reasons were listed by him for providing encouragement to them. They were: (1) short gestation period; (2) low investment cost per tonne; (3) quick decision making process; (4) relatively high capital-output ratio; and (5) capability to correct regional imbalances in the supply of steel. Beginniug with ordinary steel plants, they could be readily changed into more sophisticated ones, added Mr Shah.

It is not widely known that at present the billet and scrap re-rollers have, on two shift basis, total capacity of a little more than six million tonnes. This is the claim of the SRMA though the critics feel that after making allowance for obsolescene and other factors, the effective capacity would not be of that order. However, less than one-fourth of the claimed capacity is currently being used because of power shortage and non-availability of right quality of melting scrap, refractories and electrodes. In view of the fact that the demand for steel ingots in this country is expected to increase from eight million tonnes as at present to 20 million tonnes in 1980 and 32 million tonnes in 1985, the re-rollers hold the view that their small plants would continue to be intrumental in bridging a part of the gap between demand and supply in the coming years.

The government of India on its part is committed to the expansion of the Bokaro steel plant from 1.7 million tonnes to 2.5 and then to 4.5 million tonnes and ultimately to 10 million tonnes. Similarly, the capacities of other plants are also proposed to be expanded with Bhilai reaching ultimately seven million tonnes and TISCO four million tonnes. The expansion of all these plants and also the establishment of new ones are proposed to be undertaken in such a way that the products rolled out of them would match the demand of the country. The government is working out an integrated plan of expansion in steel capacity in a way which might block the growth of the small steel plants because of the shortage of material for re-rolling.

The scrap and billets for re-rolling being in short supply. there was no possibility of utilising fully the capacity of these small steel plants, according to Mr Mohan Kumaramangalam, central Minister for Steel, who inaugurated the seminar. He said that the electric steel furnaces had been growing in numbers in the country even though their operational costs were higher than that of the integrated steel plants. They were viable units at present because of the high price of steel in the open market. When the open market prices declined production in electric furnaces would become uneconomic. He cautioned the industry against the setting up of the electric steel furnaces which would find it hard to compete with integrated plants in the future. Mr Mohan Kumaramangalam also said that even though the Approach Paper to the fifth five-year Plan had fixed the steel target at 9.4 million tonnes, it was likely to be raised to 10 or 11 million tonnes.

Mr H. Bhaya, Chairman, Hindustan Steel Ltd, posed the problem in a different way. He said that the billet re-rollers depended upon the integrated steel plants for the supply of their raw material (i.e. billets) the sale of which was unattractive to main steel producers and, therefore. it was not possible to create exclusive capacity for the manufacture of prime billets. A large-scale integrated steel plant designed to produce only primary blooms and billets would be an uneconomic proposition. In these circumstances, the billets provided by the producers to re-rollers would have to be priced high which would put them in a disadvantageous position.

What Mr Bhaya forgot was that the re-rollers had a useful role to play in the economy of the country which had been acquired after a hard struggle spread over a period of 45 years. This industry is providing employment to 80,000 workers directly. Despite heavy odds, it has attained the present stature wherein it is making a significant contribution to the economy. Moreover, this industry has played a vital role in the training of technicians and managers who have been absorbed in the integrated steel plants. The total capital invested in this industry is around Rs 200 crores. It is perhaps too late in the day to wish that the re-rollers did not exist.

In view of the economic and social impact of this industry, the plea was made at the seminar—and rightly—that efforts should be made for improved utilisation of the available capacity. It is this sector of steel industry which came to our assistance when large-sized steel plants failed to deliver the goods; with installed capacity of nine million tonnes, their production was only a little more than six million tonnes. The re-rollers and the electric arc furnaces supplemeted the efforts of the larger units.

Various suggestions were put forward by the industry for the continuance of the important role which it currently plays in the economy. The suggestion was made that instead of importing steel from abroad, it would be worthwhile importing additional quantities of scrap so that it could be processed by the electric arc furnaces. It would not only utilise the capacity available with these furnaces but would also create additional job opportunities in the country and reduce the import bill on steel. The fact that these small plants have been set up entirely with indigenous eqnipment and know-how is a pointer to the necessity of nurturing it in the interest of its long-term growth.

A few other suggestions made by members of the SRMA deserve careful

study by the government. One of them was that the proposed plant at Hospet should cater for the requirements of re-rollers. The government should examine this suggestion carefully. Also, the suggestion put forward by Mr A. K. Bhattacharya, former chairman of the SRMA that the government should acquire old ships for breaking, needs sympathetic consideration; it would provide not only re-rollable scrap but also melting scrap.

Starch for sustenance

THERE IS so much talk of research and development today that it is perhaps worthwhile examining whether and to what extent research has in fact been translated into development. This, of course, presupposes a measure of rapport between the scientists who are responsible for research work and the industrialists who are to incorporate the results of such research work in their industrial undertakings. In other words, theoretical research or fundamental science must march hand-in-hand with applied research or industrial application. Although, in the non-official field, this may have happened to some extent in certain areas—cotton, jute and woollen textile industries occur readily to one's mind—it is true to say that, by and large, there has been very little organised effort in this direction. In many advanced countries, it is customary for researchers, scientists, and industrial interests to meet periodically by arranging what are called Round Tables for different industries to achieve this objective. It is, therefore, gratifying to note that for the first time such a Round Table was actually arranged a few days ago in this country. And the credit for doing so goes to the All India Starch Manufacturers' Association (AISMA).

The Indian starch industry has not as yet received the importance that is due to it as a core industry on which many other industries have to depend. And, to a great extent, those engaged in the industry are themselves to blame for it. However, it is heartening to note, from the proceedings of the Starch Round Table at Mahabaleshwar, that at least among those who are connected with the industry, closely or remotely, there is perceptible a growing awareness of its importance to the country's economy, as also of its immense potentialities. Equally noteworthy is the evident realisation that the future of the growth of this industry is linked to the discoveries that are to emerge from the test tubes and laboratories of the several research setups in the country. This should augur well for a closer and more meaningful collaboration between those engaged in research in their laboratories and those who can take advantage of the results of such research to place the starch industry on a sounder and stronger basis. There is undoubtedly an urgent need for it, considering the enormous scope which seems to be there for the starch industry.

Not many people are apt to take seriously the claim of the starch industry that "a man in modern society cannot live even a single day without using directly or indirectly any one of its products." But it is a fact all right. The quantum of starch used in any single application or industry may not be very large, but its usefulness is extremely important, for without starch or its related products, the wheels of many industries will not simply run.

How much starch do we produce in India today? According to Mr Chinubhai Manibhai, the technician-President of AISMA, the Indian starch industry today produces about 100,000 tonnes of starch per year, besides 12,000 tonnes of Dextrose, 35,000 tonnes of glucose syrup and a variety of other related and derivative products, such as corn steep concentrate, gluten feed, gluten meal, maize oil and maize oilcake. Each one of these is a valuable constituent. To take only corn steep concentrate. How many are aware that it is used in the manufacture of antibiotics so vitally needed for the nation's health today? Not only is the industry self-sufficient, it also exports and earns foreign exchange worth Rs 50 lakhs a year, besides saving foreign exchange on imports worth Rs 15 crores per annum. Among others, textile, paper, leather, foundry, pharmaceutical, soap, baby foods, confectionery and packaging industries use one or other of these products of the starch industry.

India occupies a fairly high place as a producer of starch in the world. The world production of starch and related products is estimated at about nine million tonnes, and India stands eighth among the world producers of starch and related products. She is sixth among the world's producers of maize. Yet India does not have a sizeable share in the international import and export trade of starches (approximately 500,000 tonnes per year) in striking contrast to Japan, Belgium and Holland who do not account for any maize production at all. The Starch Round Table seems to be of the view that it is worth considering whether India with such a large indigenous crop, coupled with its technical ability and the present surplus plant capacity, should not enter the international market even by importing maize, if need be. There is a good market potential, it is believed, for expert of glucose, dextrose and specialised modified starches to the middle east and far eastern countries. Here surely is a rich export outlet which can be explored, provided, the industry says, satisfactory en-

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The Federation thus was not opposed to State intervention in economic affairs but only urged that that intervention should be guided by practical considerations and that it ought not to be embarked upon as an ideological adventure inspired by preconceived political theories. Private enterprise but under public control, was, in the opinion of the Federation, imperative in the circumstances in which the country was situated today; it might be that the Government and the public held a different set of views, in which case it was not only a matter of equity but a sheer condition of the survival of the existing productive organization that private enterprise should be told at the earliest possible time where exactly it stood in the Government's scheme of things. Mr M. A. Maste gave an impressive lead in his address when h pointed out that the State should seek to promot egalitarian considerations through regulatio of dividends and wages, while the industrialist should be left with sufficient freedom of initiativ and enterprise to help build an expanding ecc nomy. It may be said that Pandit Nehru was nc able to reassure his audience completely althoug on one point at least he succeeded in giving satis faction. He agreed that the forthcoming indus trial policy statement should remove all ambi guities regarding Government's intentions an define in precise terms the programme of nationa lization.

couragement is given and subject, of course, to quality and price being competitive. The industry is confident that quality-wise it can hold its own against the product of any other country. But price-wise, it is not as optimistic, which is not without ground. It is not as if the industry is not competent enough, nor that it lacks in technical know-how or qualified personnel. Few other Indian industries can boast of such self-reliant growth, raw material-wise, indigenous plant manufacture-wise, know-how-wise and personnel-wise as the starch industry.

The snag lies in the uncertainty as regards the price the industry has to pay for its maize, which forms a major part of the processing cost. In other words, the industry's price structure (or ability to compete in the international market) is almost wholly dependent on the price of maize. Provided maize is supplied to it at international prices, the industry says, it can expand its exports. In the alternative, the industry expects, the government must offer suitable subsidies. The Indian starch industry not being among the very highly profitable industries in the country, its profits after providing for depreciation are estimated to be in the range of just six to eight per cent—this cannot be regarded as an altogether unreasonable demand.

From a study of the history of the Indian starch industry since its inception, it is seen that what is holding it back is not only the price but also the availability of maize, notwithstanding the fact that India is an important producer of maize. Being one of the staple items of our food, the availability of maize to the starch industry is necessarily subject to the exigencies of the foodgrains situation in the country. During years of scarcity — and these are not uncommon in a country so much subject to the vagaries of the monsoon such as India—not only humanitarian considerations but also political compulsions place severe limitations even on an otherwise sympathetic government to continue to allow the starch industry to draw on the shrunken supplies of foodgrains, including maize. So, the Green Revolution that has appreciably benefited the maize output already has to continue and make even larger yields possible. In this connection, particular attention must be invited to the suggestion of one of the participants—Dr. Jagindra Singh of the Indian Agricultural Research Institute (IARI)—that a liaison between the breeders and starch manufacturers could lead to a supply of suitable qualities of maize for the industry. He also referred to some of the high-yielding maize varieties developed by the IARI, but it is clear this exercise should not only continue but needs to be even more vigorous.

As starch and its products form part of the chemical industry, it was just as well that there were a number of eminent chemists and bio-chemists also to participate in the Mahabaleshwar Round Table. From what these had to say, the industry could not have failed to note that the prospects ahead are far greater than even their most optimistic expectations. The industry was actually taken to task as it were for not giving to corn steep liquor the importance it deserves. Mr Chari, Managing Director of Hindustan Antibiotics, Ltd., Pimpri, for example, observed: "Starch technologists treated the corn steep liquor as a waste product". Since this substance is used as a nutrient for the growth of micro-organism, which are very selective in their food requirements, he noted, "the production of antibiotics could depend very much on the quality of the steep liquor". Similarly, Dr. Varadarajan of Hindustan Lever Ltd who looked into the future of the industry, indicated that "starch with lots of carbon and oxygen in the molecule could be transformed into bulky and non-metabolisable goods as well as explosives". He also mentioned the possibility of the transformation of starch into proteins, apart from the use of starch in processed foods and for manufacturing detergents. Then, again, Prof. B.D. Tilak of the National Chemical Laboratory of Poona, gave an exhaustive overall view which should, as Dr. A.C. Srivastava of ATIRA of Ahemedabad who so ably summed up the proceedings put it, "energise starch scientists and technologists into producing specialised products which can be prepared from starch as a basic raw material and which will be used in upcoming industries".

These higher level deliberations apart, even the casual projections of demand for starch products from different industries in the country point to the bright future ahead of this industry. Thus, it has been estimated that, as against 47,000 tonnes of starch and related products used in food and pharmaceutical industries, 40,000 tonnes in textiles and 2,000 tonnes in paper today, by the end of the fifth Plan their respective requirements would rise to 1,70,000 tonnes, 70,000 tonnes and 30,-40,000 tonnes. In short, if the production of many other industries and the improvement of the nation's health are to be achieved as projected by the planners, satisfactory and continuous availability of starch and related products is a must. It is a pity that, despite this, there are some, safely ensconced in authority, who are not prepared even to allot to this industry maize that is so often declared as unfit for human consumption, not because that they do not want to, but because they appear to be afraid of possible public resentment. Evidently these fail to understand that the Indian public would be far more resentful of the authorities should they let such maize pass for human consumption.

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State-panchayati raj financial relations

Haripad R. Subramonia Iyer

THE VIEW that the panchayati raj system has an important role in national planning, development and administration and that it must eventually undertake the entire rural development and welfare functions is currently gaining ground. One of the unsolved problems of panchayati raj is the paucity of financial resources which can be solved permanently only when reforms in the existing state-panchayati raj financial relations are made. State-panchayati raj financial relations have two aspects namely, (1) the financial relations between the state government and panchayati raj bodies, and (2) between the three tiers of panchayati raj.

The state-panchayati raj financial relations depend upon whether these institutions are the creation of the Indian Constitution or the state legislatures. If they are the creation of the Indian Constitution, they enjoy devolution of powers, functions and financial resources; also the financial relationship between the state government and the panchayati raj bodies becomes federal in nature. On the other hand, if they are the creatures of state legislatures, they enjoy delegated powers, functions and financial resources and the financial relationship is unitary in character. In other words, the panchayati raj bodies are subject to financial and budgetary control and supervision of the state government.

delegation of powers

Whatever may be the form of government, presidential or parliamentary, unitary or federal, democratic or dictatorial, it is utopian to undertake all functions at one point. Hence the need for decentralisation in the form of either devolution or delegation of powers, functions, responsibilities, financial resources etc. to lower levels of government. Federalism is a mechanism of decentralisation and devolution of political, administrative, legislative and financial powers and responsibilities to levels of government.

The essence of federalism is that both the union and state governments are autonomous in their respective spheres, in the sense that both the union and state governments have unhampered fiscal powers. Consequently a division of the available financial resources and taxation powers and hence separate sources of revenue have been allotted to the union and state governments, but the states in addition to their own financial resources and taxation powers may also get a share in the net proceeds of some of union government sources of revenue. In short, the union-state financial relationship is clearly specified and well defined in the Indan Constitution.

levels of administration

Nevertheless of late the union-state financial relations have undergone a change as a result of the mounting political pressures exercised by the state governments. Since there are three levels of administration, taxes are also divided into three categories namely union, state and local. Although the union, state and local governments have separate financial resources of their own, there is no clear cut division between the sources of revenue.

The problem of division of taxes between the state government and the panchayati raj bodies is functionally different from that between the union and state governments; Although in a federal form of government, the division of taxes is clearly specified and well defined in the Constitution, there is no such division of taxes between the state and the panchayati raj bodies. In the case of functions entrusted to panchayat bodies, the state government is ultimately responsible for the economical, effective and efficient implementation of functions. Hence the state government exercises administrative, judicial legislative and financial control over panchayati raj bodies.

Since accelerated economic growth with social justice is the objective of planned economic development, the entire collective needs and resources of the country have to be taken as a whole and the allocation of financial resources and taxation powers will have to be made commensurate with the functions and responsibilities of the union, state and local-self governments. The process of mopping up and utilisation of financial resources is the collective responsibility of the union, state and local-self governments.

The old theory of local bodies acting as agents of the central or state governments should be replaced by the theory that local-self government institutions are units of self government at the village, block and district levels like the union and state governments in the federal structure. This implies that the entire financial resources of the country should be shared between the union, state and local-self governments. After all a panchayat samiti is a federation of village panchayats, a zilla parishad a federation of panchayat samitis and the state a federation of zilla parishads for rural development and welfare purposes and the indian union a federation of states.

overlapping areas

The areas of the state, zilla parishads, panchayat samitis and panchayats overlap which demands that the problems of inadequacy of financial resources of panchayati raj bodies should not be viewed in isolation with the problems of inadequacy of financial resources of state and national governments. Since there are three levels or tiers in a federal form of government namely, union, state and local, there are also three sectors in finance also namely, union, state and local. Panchayati raj finance should be treated as an integral part of state and national finance since panchayati raj bodies are units of self-government at their own levels with the transfer of rural development and welfare functions to them.

The time has come to stress the holis-

tic approach here also, to think of panchayati raj bodies and finance as integral parts of union and state government and finance. In a planned economy and development, division of functions and expenditures into 'onerous' and 'beneficial' has no meaning. Since in a welfare state all the people despite their administrative spacial location should be provided with minimum basic and civic amenities which are of national importance. Such a view-point gives little credence to the old theory that local finance is separate from state and union finance.

allocation of functions

The principles of allocation of functions and financial resources between union, state and local governments should be the same. This is supported by the principles of public finance also. But there are two main problems namely the division of functions and distribution of financial resources and taxing powers between the state and panchayati raj bodies as well as between the three tiers of panchayati raj. The principles of distribution of grants, allocation of functions and of revenues to panchayati raj bodies as well as three tiers of panchayati raj should be on the lines of the principles of distribution of grants, allocation of functions and revenues under the federal structure.

It may be mentioned that the existing panchayati raj bodies are primarily units of self-government and secondarily agents of the state government. As units of self-government they are entrusted with municipal and civic functions and have to find out their own financial resources for carrying on civic and municipal functions. As agents of the state government, they are entrusted with rural development and welfare functions and there is transfer of financial resources from the state government. This necessitates dual roles for them which in turn creates the problem of financial relationship with the state government. The present distinction between civic and municipal expenditure and development and welfare expenditure should be abolished and both expenditures should be viewed from their totality.

The financial relationship between the three tiers of panchayati raj depends on the concept of panchayati raj. If the three tiers are units of self-government at the village, block and district levels, they enjoy devolution of powers, functions and financial resources and each tier enjoys specific and autonomous powers, functions and financial resources and the inter-institutional financial relationship is co-partnership, co-equal and interdependence. On the other hand, if they are merely agents of the next higher tier, they enjoy delegated powers, functions and financial resources and the financial relationship is superordinate-subordinate; each tier enjoys specific grants of powers, according to which the powers, functions and financial resources are clearly specified and well-defined and is controlled by the next higher tier. The existing system of either making the community development block or the district as units of planning and development has resulted in the problems of allocation of powers, functions and financial resources and state-panchayati raj functional and financial relations.

PR Act

The state-panchayati raj financial relations are clearly specified and well-defined in the PR Act, Rules and Regulations. The financial control exercised by the executive branch of the state government over panchayati raj bodies is of a two-fold character—internal and external—and comes under the following heads namely (1) panchayati raj funds and expenditure; (2) panchayati raj taxes, fees, etc; (3) panchayati raj budget; (4) grants, loans, subsidies etc; and (5) audit. The levy of the taxes, the fixation and variations of the rates, the cancellation of the existing taxes, number and nature as well as the minimum and maximum rates of taxes are prescribed by the state government. The form and the procedure of preparing budget are laid down by the Panchayati Raj Act, Rules and Regulations.

As far as panchayati raj bodies are concerned, they have no budgetary freedom or autonomy. In other words, although the panchayati raj bodies are empowered to prepare their own budgets, they are scrutinised and approved by the next higher tier. Besides, the system of grants and loans is used as a means or method of financial control over panchayati raj bodies. Moreover the state government exercises control over the borrowing power of the panchayati raj bodies. The panchayati raj bodies cannot borrow money from the public or the governmental agencies as well as resort to deficit budgets without the approval of the state government. Furthermore, they cannot resort to overdrafts and the accounts of panchayati raj bodies are audited by the examiner of local fund accounts.

The existing panchayati raj bodies have no financial resources and taxation powers of their own except those conferred by the state government, and hence are not financially autonomous bodies. Financially the approval of the state government is indispensable for proposal of taxation, raising of loans, resort to deficit budgeting and their budgets etc. Thus the state panchayati raj financial relationship from the very beginning of the introduction of panchayati raj is unitary in character.

The Balwantrai Mehta Committee recommended that the entire rural developmental and welfare activities should be devolved on panchayati raj bodies: the decentralisation and devolution of powers, functions and financal resources to the three tiers of panchayati raj in the field of rural development and welfare. Unfortunately the report is silent with regard to devolution of more taxation powers from the state to the panchayati raj bodies. One of the reasons why the village panchayats are not able to implement civic and municipal functions which are vital and social necessities and of national importance is that they have to find out their own financial resources to implement them. It is impossible to undertake these functions without the financial assistance from the state government.

no worthwhile change

No changes worth mentioning have taken place so far in the state-panchayati raj financial relationships in spite of the fact that they have been entrusted with rural planning, development and administration which necessitates the evolution of healthy and sound state-panchayati raj financial relationship. Still all the traditional forms, agencies, methods, extent and degree of state control remain. In other words, the relationship between the state government and the panchayati raj in the financial field is on the model of the relationship between the state and traditional local bodies.

It must be remembered that the panchayati raj bodies are the units of Indian federal polity and they serve as the backbone of Indian democracy.

Hence a new approach has to be found for the financial relationship between the state government and the panchayati raj bodies as well as the three tiers of panchayati raj with a view to accomplishing the objectives of panchayati raj. The state panchayati raj financial relationship should be on the lines of the financial relationship between the union and state government in the federal structure.

Generally panchayati raj bodies have inadequate financial resources to finance even the civic and municipal functions compared to the union and state governments. The central and state governments have elastic sources of income and they can borrow money from the public resort to deficit budgeting and financing, overdrafts and hence there is financial decentralisation and enjoyment of considerable financial autonomy. Besides, the finance commission and the Planning Commission are there to provide financial assistance to non-Plan and Plan projects. The finance commission and the Planning Commission determine the allocation of financial resources between the union and state governments. The purpose of the finance commission is to review from time to time the financial relationship between the central and state governments and to make recommendations, adjustments or alterations needed therein.

determining factor

As far as panchayati raj bodies are concerned, there are no such institutions to decide the allocation of financial resources between the state and the panchayati raj bodies and between the three tiers of panchayati raj. Since panchayati raj bodies are the creatures of the state government, they enjoy delegated powers, functions and financial resources. Of course, they are entrusted with certain financial resources and taxation powers which are neither adequate nor elastic and the government provides grants, loans etc to panchayati raj bodies.

In short there is neither a statutory quasi-judicial and arbitral machinery like the finance commission to deal with state-panchayati raj financial relations nor is Planning Commission empowered to determine financial resources between the state and panchayati raj bodies in the field of Plan projects. Other factors responsible for the inadequacy of financial resources of panchayati raj bodies are undoubtedly the general low taxable capacity or general poverty and economic backwardness of the rural community. Unfair distribution of financial resources or revenue between central, state and panchayati raj bodies is another reason. Shyness or unwillingness on the part of the elected representatives of panchayati raj bodies to impose all the taxes, fees etc., increase the existing rates of taxes, fees etc. impose new taxes, fees etc to prevent tax evasion, economise and rationalise the expenditures are other factors.

remunerative enterprises

The comparatively under-developed character of panchayati raj bodies to undertake remunerative enterprises under Indian rural conditions is another factor. The problems of inadequacy of financial resources of panchayati raj bodies are viewed as isolated from state and national finance. In other words, local finance is not considered as an integral part of the state and national finance. The deplorable financial conditions of panchayati raj bodies can be improved only with the combined efforts, co-operation and support of the union, state and local governments. In other words, for inadequacy of financial resources, the union, state and local bodies are collectively responsible.

No impartial study or examination has been conducted so far to ascertain whether the village panchayats are able to undertake civic and municipal functions with their own financial resources. The items of financial resources made available to panchayati raj bodies have been few and inelastic. Even in respect of these financial resources, there has been a gradual encroachment by the state governments. The most productive and buoyant sources of revenue are with the state government. But the financial assistance provided by the state government and union government to panchayati raj bodies is far from adequate. No doubt it is impossible for the state government to provide the full financial requirements of PR bodies. At the same time, the panchayati raj bodies could not implement the civic and municipal functions with their own financial resources.

The fact is that the existing panchayati raj bodies lean heavily on the state government for their financial requirements. Hence devolution of more taxation powers from the state government to panchayati raj bodies is indispensible for panchayati raj bodies are not only entrusted with civic or municipal administration, but also rural developments and welfare administration. Area development, community development and democratic development are the triple objectives of the panchayati raj system. Hence the need for a new agency like the finance commission to determine a fair, equitable and scientific distribution of financial resources not only between the state government and the PR bodies but also between the three tiers of panchayati raj.

The idea of democratically planned socio-economic development, of the people, removal of regional social and economic backwardness or disparities, panchayati raj as an instrument of planned community development and institutionalised democracy, multi-level planning, or decentralised planning process, the goal of democratic social welfare state, changing of political complexions or composition at the state level, etc all these factors have added new dimensions to the trend and pattern of state-panchayati raj relationship in the country. A radical change in the scope of powers, functions and financial resources of panchayati raj bodies is indispensable. Hence there is need for evolving a policy that will reconcile to the maximum extent and contribute to a sound state-panchayati raj financial relationship.

powers of taxation

The PR bodies should be given more powers for taxation since the chances of marshalling of more financial resources through direct taxation are very limited. It is said that the scope for direct taxes is very limited especially in rural areas. Although the panchayati raj bodies have not yet fully exploited all the sources of revenue, the tax revenue seems to have reached a saturating point and as far as PR bodies are concerned, it appears that the financial resources could be improved not so much by increased taxation, but an approach of reallocation of financial resources not only between the state government and the PR bodies but also between the three tiers of panchayati raj.

Another way to augment the financial resources is to exploit their own taxation powers more fully, and there is more scope for it. The PR bodies can undertake remunerative enterprises for

which they have to continue to depend upon the state government. Without the financial assistance in the form of loans from the state governments, it is impossible to undertake remunerative works. Hence a panchayati raj finance corporation should be established in each state to finance the panchayati raj bodies to undertake remunerative undertakings. The panchayati raj bodies should impose all the existing taxes, fees etc. assess the taxes scientifically and collect the taxes, fees etc in full.

There is no uniformity in regard to the principles adopted by the various state governments for distribution of grants, loans etc to panchayati raj bodies as a result of which it differs from state to state and within the same state. The existing distribution of grants, loans etc. cannot be called rational, scientific and sound since there seem to be no clear norms. The allocation of grants, loans etc. should be based on clearly defined norms consistent with the objectives of planned economy and development. Since the existing panchayati raj bodies have inadequate taxation powers, transfer of state funds to panchayati raj bodies in the form of compulsory sharing of state taxes is one solution.

political considerations

In the distribution of grants, there is no simple grant-in-aid code based on well-defined principles. Political considerations weigh much rather than economic and social backwardness of areas or variations in economic, social and physical conditions from one region to another, financial weakness, their relative income resources and levels of economic development, size of the population, extent of collection of taxes, fees etc. the size of the normal budget, extent of functions and responsibilities, pattern of income and expenditure, their taxable capacity, minimum and legitimate needs of the people of the areas, efficiency of administration etc.

The political favouritism in doling out grants and loans by the state government to PR bodies is the order of the day. For most part the allocation of grants, loans etc to PR bodies has been decided as a matter of intra-party bargaining and political horse-trading when the same political party rules in the states and the PR bodies. In the changed political complexion of the state as well as at the three levels of panchayati raj, there is need for well defined norms in consonance with the objectives of planned economy and development. The existing state assistance in the form of grants and loans etc to PR bodies should be increased.

The functions of the three tiers of panchayati raj as well as their financial resources and taxation powers should be clearly specified and well defined. There should also be uniformity with regard to the principles governing the distribution of grants and laons throughout the country. There should be devolution of more taxes from the state governments to panchayati raj bodies. Rules can be laid down so as to make the quantum of assistance and its distribution inter se automatic. In short the state-panchayati raj financial relationship should become federal in character in the form of devolution of more financial resources and taxation powers to PR bodies with a view to augment the resources of PR bodies in an equitable manner so as to enable them to meet their growing needs.

There is urgent need for a better definition of the state and PR bodies in achieving rapid economic growth and social justice. However, the whole subject of state panchayati raj financial relations deserves to be investigated by an expert committee which may review the existing panchayati raj financial relations to see how far they have been consistent with the objectives of planned economy and development in order to put the state-panchayati raj financial relations on a sound, permanent, statutory, proper and rational basis.

In short, reforms or re-examination of not only the existing union-state financial relations but also the state-panchayati raj financial relationship is the need of the hour for democratic planning and balanced socio-economic development of the rural areas and the community as well as to build up sound state-panchayati raj financial relationship. There is need for a new awareness and definite change in approach in the field of state-panchayati raj relationship. Hence the whole question of state-panchayati raj financial relations needs simplification at the state and PR bodies level and with reference to the three tiers of the panchayati raj. The state-panchayati raj financial relations should be studied vis-a-vis the union-state financial relationship.

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Avoidable loss in major crops

D. Singh, M. G. Sardana & R. K. Khosla

THE IMPORTANCE of objective assessment of crop losses caused by pests and diseases for devising effective plant protection measures is well accepted and, therefore, needs no emphasis. The measurement of the prevalence and degree of incidence of pests and diseases and assessment of consequent loss in yield of the crop in a large area can only be done satisfactorily by carrying out a sample survey, for which the availability of a suitable sampling methodology is a prerequisite.

With a view to evolving a suitable sampling methodology for such studies, the Institute of Agricultural Research Statistics carried out pilot sampling investigations on paddy crop in the districts of Cuttack (1959-62), Thanjavur (1962-66) and West Godavari (1963-67). The survey in Cuttack district was carried out in collaboration with the Central Rice Research Institute, whereas the surveys in the other districts were conducted in co-operation with the concerned state departments of agriculture. The estimates of field losses caused by pests and diseases on paddy crop, based on the data collected in the sample surveys carried out in Cuttack, Thanjavur and West Godavari districts had been reported by Seth **et al** (1969)[1], while similar estimates for maize and wheat crops had been reported by Kishen **et al** (1970)[2], and Singh **et al** (1970)[3] respectively.

estimate of loss

The sample surveys carried out during Samba paddy seasons in Thanjavur district, kharif and rabi paddy seasons in West Godavari district and on maize and wheat crops in Aligarh district provide data to estimate the loss in yield of these crops which could be avoided by using the plant protection schedules recommended by the concerned state department of agriculture. The estimates of avoidable loss in yield of paddy, wheat and maize crops based on the above mentioned sample surveys are presented in this article.

The data collected in the pilot sample surveys carried out during Samba paddy seasons of 1962-66 in Thanjavur district, kharif and rabi paddy seasons of 1963-67 in West Godavari district, maize and wheat crop seasons of 1963-67 in Aligarh district have been utilized.

random sampling

Stratified random sampling technique was adopted in each of the surveys. Each district was divided into nine zones, which constituted strata and in each zone, six villages in case of paddy crop and four villages in case of maize and wheat crops were selected at random. In each selected village, two pairs of fields growing the crop under study were selected at random. The fields forming any pair were, as far as possible, similar in respect of variety, manuring, cultural practices, soil type, topography, etc. In one field, selected at random from each such pair, plant protection measures as recommended by the department of agriculture of the concerned state were adopted and such fields were known as 'protected fields'. The other field in each pair which was exposed to natural infestation of pests and diseases was termed as 'unprotected field'. Thus there were about 108 pairs of such fields for paddy crop and about 72 pairs for wheat and early and late maize crops in each season. The yield of protected and unprotected fields, year-wise and pooled over the years for the district were estimated and their difference gave the estimate of avoidable loss in yield of the crop.

The estimates of avoidable loss in yield of paddy, wheat and maize are discussed below separately.

As mentioned earlier, for estimating the loss in yield caused by pests and diseases, which can be avoided by taking plant protection measures, two protected fields in each selected village were selected during Samba paddy season in Thanjavur district and during kharif and rabi seasons in West Godavari district. Chemical plant protection measures as per schedules (Appendix) recommended by the department of agriculture of the concerned states, were taken in the protected fields.

The plant protection measures in the protected fields resulted in the decrease of incidence of stemborer, gallfly and helminthosporiose during Samba paddy in Thanjavur district, and Stemborer and helminthosporiose during rabi paddy and stemborer, helminthosporiose, blast and bunt during kharif paddy in West Godavari district. The statistical analyses of yield data of the protected and unprotected fields was carried out and the results are given in Table I.

Samba paddy

It may be seen from Table I that during Samba paddy seasons in Thanjavur district, the difference in yields of protected and unprotected fields varied between 326 kg|ha and 552 kg|ha over the years 1962-63 to 1965-66. The results when pooled over the years gave estimates of average avoidable loss in yield as 411 kg|ha with standard error of 32 kg|ha. On the basis of the average area under Samba paddy in the years of the survey in Thanjavur district, the total annual avoidable loss in yield works out to 15.39 lakh quintals. The differences in the yields of protected an unprotected fields during kharif paddy seasons in West Godavari district were of much lower order as compared to those in Samba paddy seasons in Thanjavur district. The average avoidable loss in yield of kharif paddy in West Godavari district over the years 1963-64 to 1966-67 was estimated to be 76 kg|ha with standard error of 27 kg|ha. The total avoidable loss, taking the average area under kharif paddy over the years of the survey, comes to 2.06 lakh quintals for West Godavari district. During the rabi paddy seasons of 1963-64 to 1966-67 in West Godavari district, the differences in yields of protected and unprotected fields varied between 157

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kg|ha and 244 kg|ha. The average avoidable loss in yield of rabi paddy in West Godavari district was estimated to be 204 kg|ha with standard error of 32 kg|ha. On this basis the total annual loss during rabi paddy in West Godavari district was of the order of two lakh quintals.

The plant protection measures used in protected fields of maize consisted mainly of (i) seed treatment by mixing the seed with Agrosan G.N. and (ii) application of five per cent Aldrin or 5 to 10 per cent BHC through dusting and spraying with Endrex 20 EC. The dusting and spraying measures were generally undertaken from the second week of August.

In both early and late maize crops, the infestation of stemborer, gujia weevil and leaf roller was significantly lower in the protected fields as compared to those in unprotected fields. Estimates of yield of early and late maize crops in protected and unprotected fields along with the corresponding estimates of avoidable loss in yield of the crops are presented in Table II.

varying yields

The differences in yield of early maize crop in protected and unprotected fields varied between 71 kg|ha and 308 kg|ha over the years 1964-65 to 1966-67 and results when pooled over the years gave estimates of avoidable loss in yield of the crop as 193 kg|ha with standard error of 63 kg|ha. In late maize crop the differences between the yields of protected and unprotected fields were found to be 232 kg|ha and 131 kg|ha during 1964-65 and 1965-66 respectively. The average avoidable loss in the yield of late maize crop computed from the pooled results of 1964-65 and 1965-66 was estimated to be 181 kg|ha with standard error of 58 kg|ha. These results indicate that the total annual production of maize (early and late) in Aligarh district would have been increased by about one lakh quintals by using the recommended plant protection measures.

The plant protection measures adopted in the protected fields of wheat consisted of (i) treatment of seed with Agrosan GN, (ii) dusting of crop with five per cent Aldrin and (iii) poison baiting of the rat-burrows with zinc phosphide at the rate of 28 gm of bait per burrow.

The plant protection measures helped in reducing the infestation of gujia weevil and termite significantly. Table III presents the average yield of wheat crop in protected and unprotected fields along with the estimate of avoidable loss in yield of the crop. The differences in yield of crop in protected and unprotected fields was found to be significant during the first two years of the survey viz., 1963-64 and 1964-65. The estimate of the avoidable loss in yield of the crop on the basis of the pooled data over the four years, 1963-64 to 1966-67, was found to be 185 kg|ha, but it was not statistically significant. On the basis of these results, the total annual avoidable

TABLE I

Estimates of Avoidable Loss (kg/ha) in Yield of Paddy Crop in Thanjavur and West Godavari

District	Season	Year	Protected fields		Unprotected fields		Avoidable loss in yield	
			Av. yield (kg/ha)	S.E. (kg./ha)	Av. yield (kg/ha)	S.E. (kg/ha)	Esti-mated (kg/ha)	S.E. (kg/ha
Thanjavur	Samba	1962-63	3168	82	2777	91	391	62
		1963-64	2955	67	2581	82	374	68
		1964-65	3385	108	2833	95	552	69
		1965-66	2897	85	2571	85	326	56
		Average	3097	43	2686	44	411	32
West Godavari	Kharif	1963-64	2892	88	2793	86	99	91
		1964-65	3035	88	2893	87	142	37
		1965-66	3258	133	3273	128	(—)15	47
		1966-67	2930	108	3835	105	95	37
		Average	3040	55	2964	53	76	27
West Godavari	Rabi	1963-64	2560	87	2316	103	244	72
		1964-65	3101	120	2882	144	219	63
		1965-66	2579	224	2422	195	157	50
		1966-67	3301	89	3095	105	206	72
		Average	2886	76	2683	74	204	32

TABLE II

Estimates of Avoidable Loss (kg/ha) in Yield of Early and Late Maize Crops in Aligarh District

Crop	Year	Protected fields		Unprotected fields		Avoidable loss in yield	
		Av. yield (kg/ha)	S.E. (kg/ha)	Av. yield (kg/ha)	S.E. (kg/ha)	Estimate (kg/ha)	S.E. (kg/ha)
Early maize	1964-65	1134	150	826	130	308	166
	1965-66	1439	102	1240	75	199	29
	1966-67	1386	130	1315	166	71	87
	Average	1320	74	1127	75	193	63
Late maize	1964-65	1205	136	973	118	232	104
	1965-66	1076	53	945	83	131	52
	Average	1140	73	959	72	181	58

Note : Data were not collected for late maize during 1966-67.

loss in the production of wheat in Aligarh district works out to 2.04 lakh quintals.

Taking into account (i) the cost of insecticide and pesticides used for the plant protection measures adopted in the surveys and (ii) the cost of labour engaged for this operation, the total cost on account of plant protection measures works out to be Rs 100 and Rs 67 per hectare per season in Thanjavur and West Godavari districts respectively for paddy crop and Rs 75 and Rs 40 (excluding rat baiting) per hectare per season in Aligarh district for maize and wheat crops respectively.

The expected net return (value of avoidable loss in yield less the cost of taking recommended plant protection measures) on account of use of recommended plant protection measures have been worked out taking the price per quintal of paddy, maize, and wheat as Rs 50, 55 and 75 respectively and the results are discussed below.

maximum return

The maximum net return for the Samba paddy in Thanjavur district was found during the year 1964-65, to be Rs 176 per hectare, whereas for rabi paddy in West Godavari the maximum net return per hectare, which was obtained in 1963-64, was only Rs 55. The average net return per hectare per season was Rs 106 and Rs 35 for Samba paddy in Thanjavur district and for rabi paddy in West Godavari district respectively. Although the avoidable loss during kharif paddy in West Godavari district was found to be significant, but it did not prove economical as the additional return did not even cover the cost of plant protection schedule adopted in this season.

The maximum net returns per hectare for early and late maize crops in Aligarh district were both found during the year 1964-65, of the order of Rs 95 and Rs 53 respectively. The estimates of average net return per hectare per season in Aligarh district were Rs 31 and Rs 25 for early and late maize crops respectively.

For wheat crop in Aligarh district the maximum net return per hectare was found in the year 1963-64, to be Rs 139. The average net return per hectare per season was Rs 99 in Aligarh district.

On the basis of the pilot sample surveys carried out on paddy crop during Samba seasons of 1962-66 in Thanjavur district, kharif and rabi seasons of 1963-67 in West Godavari district and on wheat and maize crops during 1963-67 in Aligarh district, the estimates of loss in yield of paddy, wheat and maize caused by pests and diseases which could be avoided by using the recommended plant protection schedules are presented in the article.

Thus the average avoidable loss in yield of paddy in Samba seasons of Thanjavur district, Kharif and rabi seasons of West Godavari district were estimated to be 411 kg|ha, 76 kg|ha and 204 kg|ha with corresponding standard errors of 32, 27 and 32 kg|ha. The estimates of average avoidable loss in yield of early and late maize in Aligarh district were found to be 193 kg|ha with standard error of 63 kg|ha and 181 kg|ha with standard error of 58 kg|ha respectively. Though the avoidable loss in yield of wheat in Aligarh district was estimated to be 185 kg|ha but it was not statistically significant. The economics of the recommended plant protection measures have also been worked out.

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TABLE III

Estimates of Avoidable Loss (kg/ha) in Yield of Wheat Crop in Aligarh District.

Year	Protected fields		Unprotected fields		Avoidable loss in yields	
	Av. yield (kg/ha)	S.E. (kg/ha)	Av. yield (kg/ha)	S.E. (kg/ha)	Estimate (kg/ha)	S.E. (kg/ha)
1963-64	1815	265	1439	228	376	79
1964-65	2200	63	2021	51	179	71
1965-66	1760	587	1591	608	169	655
1966-67	2169	65	2151	69	18	78
Average	1986	163	1801	164	185	167

APPENDIX

Spraying Schedule Adopted in Protected Fields

Treatment No.	Stage of the crop	Pesticide
A. Samba Paddy season in Thanjavur district (Tamil Nadu)		
First	Nursery	B.H.C. 50% Wettable powder at 0.1% (13.45 Kg/ha) plus Fytolan at 0.125% (2.41 kg/ha).
Second	A month after transplanting	Parathion (Folidol) at 0.025% (0.454 kg/ha) plus Fytolan at 0.125% (2.241 kg/ha).
Third	Shot blade	Do.
B. Rabi and Kharif paddy season in West Godavari district (Andhra Pradesh)		
First	During 3-4 weeks after transplanting	At 700 c.c. of Endrin per hectare mixed in 450 litres of water.
Second	2-1 weeks before the emergence of earheads	700 c.c. of Endrin plus 3.6 kg. of wettable copper fungicide per hectare (700 c.c. of Endrin to be mixed in 450 litres of water and 1 kg. of copper fungicide to be mixed in 270 litres of water).

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

WITH THE two Houses of Parliament approving the Appropriation Bill, 1973, and the Lok Sabha taking up for discussion ministry-wise demands for grant this week, the deliberations on the 1973-74 union budget entered the second stage. The demands for grants of the Ministry of Home Affairs were voted by the Lower House.

During the discussion on these demands for grants, the union Ministry of Home Affairs came in for severe criticism on various counts, the more important among which were: (i) the growing lawlessness in the country, particularly in the capital: (ii) the plight of Harijans and some minorities; (iii) the high communal incidents in the recent past; (iv) rampant corruption; (v) growing unemployment; and (vi) rapidly rising prices. Some members made a plea for the creation of a separate ministry to look after the interests of minorities and backward sections of society. The demand for bifurcation of Andhra Pradesh and some other large states figured prominently in this debate. The role of Central Reserve Police (CRP) in certain states too came in for scathing criticism.

important announcement

Replying to the debate, the Minister for Home Affairs, Mr Uma Shanker Dikshit, made two important announcements. The first was that the central government was formulating principles for the enforcement of the Maintenance of Internal Security Act which would be circulated to the states, especially union territories, so that there were no difficulties in the interpretation of the Act. The second announcement was to the effect that the government would soon take up the question of recomposition of the National Integration Council. He sought the support of all political parties in the country in the task of national integration.

Mr Dikshit was particularly harsh on the CPI-M which resulted in numerous heated exchanges between him and the members belonging to this party. He alleged that given an opportunity, the CPI-M would murder democracy in the country.

Referring to the plight of Harijans and some minorities, Mr Dikshit observed that the government would make all endeavours to improve their position and enlarge the avenues of employment for them.

Earlier, intervening in the debate, the Minister of State for Home Affairs, Mr K. C. Pant, assured the House that the services of the Central Reserve Police were provided to states only when they asked for them. In fact, he pointed out, there had been so much demand by the states that the CRP did not get sufficient rest, some of the CRP battalions and been out in the field for several months.

training programme

Mr Pant further stated that the government had taken the initiative for constituting a broad-based experts committee to advise on training of police personnel. The committee had submitted its report and the government would implement it expeditiously. Referring to the growth in crime in the capital, the Minister observed that the centre realised the need for paying special attention to checking crime here and a 12-point programme had been undertaken for the purpose. The programme included posting of plainclothesmen in various areas, organising of selective raids and improving of control room techniques. He assured members that greater vigilence was now being exercised over the crimes affecting women.

The growing scarcity of cement in the country came up for discussion in the Rajya Sabha through a calling-attention motion. The Minister for Industrial Development, Mr C. Subramaniam, conceded that the supply position of this building material was quite acute in several parts of the country, but expressed the view that except for even distribution of scarcity through government channels, not much could be done at present because of the growing gap between demand and supply.

The Minister further agreed that several expansion programmes licensed in the recent past could not be taken up because increased cost of machinery had made production at the current fixed prices unremunerative. The price structure of the industry, he added, was being reviewed by the Tariff Commission. The Commission had been asked to submit an interim report quickly. The necessary action on cement would be taken in the light of this report.

Mr Subramaniam promised to look into the alleged malpractices in the distribution of cement in Delhi which had been referred to, among others, by Dr Bhai Mahavir (JS).

Earlier, in a statement, the Deputy Minister for Industrial Development, Mr P. K. Mukherjee, pointed out that the decline in production of cement last year had been due to various factors, including labour trouble, power cuts, poor supply of covered railway wagons, Andhra Pradesh disturbances and mechanical breakdowns.

refugee levy abolished

Apart from the voting of the Appropriation Bill, 1973, which authorised the government to draw upon the consolidated fund of the country till the 1973-74 budget was passed, the two Houses adopted several other bills. Two of these related to the finances of Andhra Pradesh and Orissa which have been recently brought under President's rule. Another concerned the abolition of the levies and taxes imposed in 1971 for providing relief to the refugees from Bangladesh.

The Rajya Sabha approved the takeover of the non-cokine coal mines by the central government through a Presidential ordinance a few weeks ago. The Delhi School Education Bill, which sought to provide for a better organisation and development of school education in the capital, was passed by both the Houses.

During the debates in the two Houses on the bill seeking to abolish the levies and taxes imposed in 1971 for providing relief of the refugees from Bangladesh, the Minister of State for Finance, Mr K. R. Ganesh, justified the retention of such levies imposed by some states on the ground that funds had to be raised for drought relief. The action of these states

had been adversely commented upon by some members.

Replying to the discussion in the Rajya Sabha on the taking over of non-coking coal mines, the Minister for Steel and Mines, Mr Mohan Kumaramangalam, disclosed that the government would soon bring forth legislation before Parliament for the nationalisation of these mines. The Upper House adjourned today to reassemble later in April to discuss the Finance Bill.

The following important information was provided by various ministers in the two Houses of Parliament this week.

(1) The prices of coal have not been increased after the take-over of the management of coal mines by the government. The possibilities of arranging distribution of coal through public agencies are being studied. A proposal for distributing coal to small consumers under the aegis of the state governments through coal dumps is under consideration.

(2) The entire work on the expansion of the rocket propellent and explosive factory and that of the Bhandare ordinance factory is expected to be completed by the middle of 1974. The main plant for the purpose has been received and ancillary equipment has started arriving. Civil work is progressing according to schedule.

(3) The government of India will be prepared to send a special representative to Uganda if there are indications of a meaningful outcome of talks on the recovery of assets of Indians forced out of that country. The government is in constant touch with the Uganda authorities through diplomatic channels in this regard.

(4) The diamond mining project of the National Mineral Development Corporation in the Panna district of Madhya Pradesh suffered a loss of Rs 21.90 lakhs in 1970-71 and of Rs 30.74 lakhs in 1971-72 on account of high cost of production and low sale realisations.

(5) The government has approved proposals for a total manufacturing capacity of 40.79 lakh wrist watches to meet the internal demand. The present production of Hindustan Machine Tools can meet only a part of the demand estimated to be of the order of 4,500,000 watches. The Bangalore factory of the HMT is currently producing 360,000 ordinary watches, both ladies' and gents' types, utilising its full capacity. The unit has also started assembling day-date automatic watches with a rated capacity of 200,000 numbers. Steps have been taken to set up a new watch factory of HMT in Srinagar for the manufacture of ordinary watches to the extent of 300,000 numbers per annum.

(6) The changes recommended by the National Labour Commission in the system of wage boards as operated so far are under consideration in the light of the views expressed by the representatives of the government, employers and employees at the last tripartite meeting. No wage board is functioning at present.

(7) A proposal to use a national satellite to achieve nation-wide television coverage is under the consideration of the government. Details of the proposal are being worked out for incorporation in the fifth Plan. Experiments are planned for 1975-76 for gaining experience in the use of satellites for television purpose.

(8) The additional programmes taken up for tackling the problems of unemployment and poverty are estimated to have provided employment to about 947,000 persons in 1972-73.

(9) Three of the seven farms maintained by the State Farms Corporation of India were running at a loss in 1970-71. The accounts for 1971-72 have not yet been audited. The seven farms of the corporation are located at Suratgarh and Jaitar in Rajasthan, Jharsugude in Orissa, Raichur in Mysore, Hissar in Haryana, Cannanore in Kerala and Ladhowal in Punjab.

(10) Twelve letters of intent were issued in 1971-72 for the establishment of new undertakings for the manufacture of cigarettes to an aggregate capacity of 51,600 million pieces per annum.

(11) Of the 527 recommendations concerning the centre contained in the 20 reports of the Administrative Reforms Commission, only 387 have been decided upon as yet. The remaining 165 recommendations are still at various stages of consideration.

(12) The overall net loss of public sector undertakings during 1971-72 was Rs 18.96 crores. Government is implementing the reports of the expert committee which went into the whole question on public sector undertakings, their losses and the reasons therefor. These reports related to the question of management, organisation, co-ordination, technology, etc.

(13) An additional 64 million tonnes of recoverable crude oil reserves can be established in India within the next five years, according to Soviet experts. According to these experts, another 132 million tonnes of crude reserves could be established in another five years. Dr. N. A. Kalinin had indicated in the papers published by him seven years ago that the estimated prognostic crude oil reserves of India might be of the order of 4,000 million tonnes.

(14) The Korba fertilizer plant is expected to be completed in the middle of the fifth Plan instead of by the end of the fourth Plan, as had been originally planned.

(15) The government does not contemplate any change in the procurement price of wheat which has been fixed on the advice of Agricultural Prices Commission. As the procurement price had also been announced before the sowing season, there is no justification for changing it at present. Broad studies made by the union Ministry of Agriculture indicate that over the last five years, wheat yield per acre has gone up by 51 per cent and cost of cultivation by 47 per cent.

(16) The number of fair price shops in the country went up during 1972 from 1.25 lakhs to 1.65 lakhs. The public distribution of foodgrains increased from 7.8 million tonnes in 1971 to 10.5 million tonnes in 1972.

(17) The government will take a decision on the demand for the nationalisation of the sugar industry on receipt of the report of the Sugar Inquiry Committee in the next few months.

(18) Of the additional 21.8 million kw power generation capacity proposed to be established during the fifth Plan period, 11.8 million kw will be thermal, 8.6 million kw hydro and 1.4 million kw nuclear.

(19) The government intends to bring soon before Parliament a comprehensive legislation to remove the flaws in the Monopolies and Restrictive Trade Practices Act.

Norway under a microscope

Jossleyn Hennessy
London

WINDOW ON THE WORLD

I

Causes of Inflation

WE IN Europe have in the past two or three years become used to strong surges of inflation—even countries like West Germany and little Norway, which have had remarkable clean postwar slates, have succumbed to the illness. There is a tendency to assert that since inflation is general, one country infects another, and there's nothing much you can do about it.

Norway, however, is an example of a country with a small enough economy to enable it to be studied in a test tube, as it were, and the microscope shows up in detail all the mistakes committed in other countries. Inflation is never an accident. It always follows *political* decisions, as the OECD's latest Annual Survey clearly shows even though it discreetly does not say so in black and white.

The direct impact of import prices on Norway's domestic price level has been small during most of the past decade. Between 1961 and 1972 the price deflator for main domestic demand components—private comsumption and gross fixed asset formation — rose three times as fast as the price deflator for total merchandise imports. The difference was particularly pronounced in the period up to 1969, when import prices remained virtually stable. There was a marked temporary upturn in the following two years but even than the rate remained below that of domestic prices. In 1972 there was again hardly any direct cost and price push abroad.

There is also no indication that foreign trade has added to the pressure on resources in the past three years. In volume terms the balance of trade (excluding ships) deteriorated almost continuously from 1964 through 1971, tending if anything to relieve demand pressure in Norway. Unlike a number of other countries Norway has only to a limited extent seen expansionary effects on domestic liquidity from capital inflows, if only because of the operation of rather tight control on external capital transactions. Total short-term foreign assets have shown little rise since 1969, though there have been ups and downs in official reserves because of special factors (mainly shipping transactions and a change in regulations concerning foreign exchange holdings of commercial banks.)

An alternative mechanism by which inflation from abroad is transmitted to the domestic economy through direct and indirect effects of rising import and export prices is implicit in model put forward some years ago to improve the basis for a rational approach to the formulation of income claims. (A description of the model is given by Odd Aukrust, *A Model of the Price and Income Distribution Mechanism in an Open Economy*, Central Bureau of Statistics, Oslo, 1970). This model distinguishes between two main sectors of the Norwegian economy: "exposed" industries, consisting of export and import-competing industries, whose prices are assumed to be determined on world markets; and "sheltered" industries which are relatively free from foreign competition and which are therefore able to pass on cost increases to consumers in higher prices. The behaviour of international prices governs that of domestic prices, whether as a stimulus or as a constraint, through its influence on prices and costs in the exposed industries. Inflation abroad tends to exert upward pressure on domestic prices, both directly —the extent depending on the weight of traded goods, whether as final products or as inputs—and indirectly because rising international prices enable the exposed industries to effer higher wages. The model also suggests that in Norway the exposed (especially export) industries have played a leading role in domestic inflation because their average rate of growth of productivity has been higher than that of the sheltered industries; they have therefore been able to offer wage increases which the sheltered industries could match only by raising prices.

independent argument

This argument, however, which is a version of the differential-productivity-growth explanation of inflation, is independent of the relative rates of price inflation at home and abroad. Conversely, it is at least implicit (though not formally incorporated) in the model that international prices constrain domestic inflation because they limit the rate of growth of wage costs which the exposed industries can sustain for any length of time. If wage cost in the exposed industrics, allowing for their rate of growth of labour productivity, rise faster than international prices, corrective forces will be set in motion, ranging from increased employer resistance to wage increases in defence of profit margins to government policy measures to protect the balance of payments from the consequences of the cost-price squeeze on the exposed industries.

Up to 1970 the basic assumptions underlying the model would seem consistent with the statistical evidence as far as export industries are concerned. Until that year wage costs per man-year in the manufacturing export industries kept close to the "boundary" estimated as the product of the index of labour productivity (volume of output per man-year) and the output price index for these industries. But since 1970 wage costs have got well away

from the "boundary" with a consequent decline in the share of profits in factor income. The extent of this divergence appears considerably greater than can be explained by merely cyclical factors, i. e. fluctuations in the growth of labour productivity or in export prices. The exposition in this paragraph does not correspond precisely to the Norwegian approach which speaks of a "wage corridor" rather than a single "boundary" level for domestic wage costs, to allow for the fact that enterprises in the exposed industries can sustain temporary cuts into normal rates of profit, but this does not substantially modify the argument.

fast rising costs

On the import side a similar estimate for a wide range of manufacturing industries, which may be classified as import-competing (tobacco. textiles, clothing, leather products, rubber products, various chemicals, metal products, machinery and transport equipment, electrical equipment and miscellaneous consumer goods for about 50 per cent of total employment in the manufacturing sector) shows inconsistency with the model throughout the period 1961-1971. Wage costs per man-year have all along risen faster than the product of the index of average labour productivity for these industries and the prices for competing imports. This, of course, poses the question how the so-called import-competing industries have on average been able to survive, and indeed increase their share in the domestic market. (In 1968 the share in consumer expenditure of imported consumer goods competing with Norwegian products amounted to only some four per cent while that of Norwegian products classified as import-competing accounted for 21 per cent) and maintain a fairly stable share of profits in total factor income. The answer seems inescapable that the sector of Norwegian industry that has been thus described includes a large proportion of enterprises not seriously exposed to foreign competition, perhaps because their output includes, besides products directly competitive with imports, a range of others which for one reason or another enjoy a substantially sheltered domestic market. How large a part of the so-called import competing sector should really be grouped with sheltered industries, only a much more disaggregated analysis could show. Such a disaggregated analysis would also show that profits and market shares of some of those industries which appear to be particularly exposed to foreign competition (e. g. textiles, clothing, leather) have tended to decline for many years.

In the shipping sector, the adherence of the rise in wage costs to the "boundary" appears to have continued a year longer than in the other exports industries. Here, too, a gap opened in 1971, which was widened in 1972 by a further sharp rise in wage costs coupled with a decline in the price index of net freight earnings. Profits in the shipping sector, consequently, fell to an unusually low level. In shipping, the effects of the rise in wage costs are less serious than in some other export industries because the wage bill accounted in 1971 for only 29 per cent of valve added. The "wage corridor" is therefore wider. But wage costs are likely to break through the corridor even here if they continue at the present rate.

The analysis in the preceding paragraphs leads to the conclusion that, at least in the past two years, the rate of domestic cost and price inflation in Norway has been well in excess of anything that could be ascribed to import of inflation from abroad, either through demand pressures exerted via the balance of payments or through rising import or export prices—though this does not exclude the possibility of more indirect external influences such as "demonstration effects" on wage demands or price expectations. The explanation therefore needs to be sought primarily in domestic factors.

II

Wage Costs, Public Expenditure

The acceleration and the rise of wage costs from 1969 coincided with a period of high and rising domestic demand pressure in the labour market, which was not reversed until the early months of 1971. Wage drift, which in the period up to 1969 had rarely exceeded four per cent, reached the exceptional level of 7 per cent between the first quarters of 1970 and 1971. (Wage drift is measured by the difference between the rise in hourly earnings and the rise in wage rates as negotiated in national wage settlements). Subsequently, and notably during 1972, labour market pressure fell back towards the 1968 level. The rate of wage drift also tended to fall judging by the figures for the first half of 1972. This evidence is not inconsistent with a conventional interpretation attributing the cost-price explosion of the past two years primarily to failure to restrain excess demand in the boom years of 1969-71. But it is difficult to believe that this is the whole, or even the major part, of the explanation. particularly because in 1972 wage drift remained high for a wage settlement year despite continued weakening of labour market pressure.

One additional element in the situation emerges from a closer examination of the relation between negotiated increases in wage rates and wage drift. On average over the past ten years, the relative share of wage settlements and wage drift in overall pay increases has been fairly stable. But underlying this stability there seems to have been a tug of war between sections of the work force which (1) have derived the greater benefit from wage settlements; and (2) sections that have had more to gain from wage drift. More specifically, wage drift facilitated by boom conditions has tended to widen differentials, while wage settlements with increasingly "solidarisic" motivation have sought to reduce them. While no comprehensive statistical evidence to back up this interpretation is available it derives some support from the ratio of hourly earnings of a male worker in engineering compared with those of a female worker in canned food manufacturing. Just before the 1970 wage settlement, this "wage differentials" ratio stood at 1.70. The 1970 wage reduced it to 1.55 in the third quarter of 1970. During 1971-72 it drifted up to the pre-1970 settlement level. The 1972 settlement, which had a markedly solidaristic profile, brought it back to 1.55. (Apart from a general rise in pay of KR. 0.55 per hour, workers in the higher wage brackets obtained little except a flat-rate compensation for price increases in 1973, while those in the lowest brackets were assured of a rise of about 10 per cent in each of two years covered by the contracts).

important element

A second, possibly more important, element is the contribution that may have been made to accelerating wage and price inflation by public expenditure and taxatioh trends. Between 1969-72 Norwegian consumer prices rose by 26 per cent. Of this total, at least 7 percentage points were due to increases in indirect taxation and another part—some 4.5 percentage points—was attributable to successive annual adjustments in empolyers' social security contributions, which between 1969-72 were lifted from 10 to 16 percentage of the wage bill. Deliberate efforts were made by the authorities to soften the impact of the introduction of the Value Added Tax (VAT) early in 1970 by a tax reform which granted direct tax relief, and by increases in childrens' allowances, pensions and other transfers. In the next two years transfers to households from Social Security were further increased. In consequence public sector transfers to households in the three years 1969-72 expressed as percentages of GDP rose from 12 to 15.5 per cent. In the same period, the share of private consumption financed by transfers rose

from 20 to 28 per cent. In real terms, publicly financed consumption has risen at an annual rate of 10 per cent while privately financial consumption has hardly risen at all.

Besides transfers to households, subsidies to the private sector have steadily increased. Despite the rapid rise in food prices, agricultural subsidies have remained and there have been increased expenditures under the regional development programmes and in support of investment by public utilities (transport and communications). Public expenditure on goods and services had risen slowly in real terms in recent years, but rising wages and prices have caused substantial increases in money. The share in GDP of total public expenditure—fixed capital formation and current expenditure, including transfers—may have reached 45 per cent in 1972, a figure exceeded only in Sweden. Public revenue has risen in step with public expenditure, so that the rate of public saving (current revenue less current and capital expenditure) has remained at approximately 2 per cent of GDP. But the marked expansion of the public sector may nonetheless have contributed to the acceleration of wage and price inflation in two ways.

First, to the extent that increased taxation has been paid at the expense of private saving rather than consumption, the sharp rise in public expenditure, especially on transfers, during the years 1970 and 1971 may have added to demand pressures, despite financial budget balance. Secondly, there may have been an element of "tax shifting" in the form of higher wage claims in response to increases in indirect taxation (and perhaps even to the increase in direct tax liabilities resulting from inflation). From this point of view, the attempt to compensate for tax increased transfers may not have been neutral in its effects, if only because the compensatory increases in transfers were specifically intended to protect the lower income groups. As in the case of solidaristic wage settlements, wage and salary earners in a position to do so may have reacted by pressing for a higher rate of wage drift in order to protect their (absolute or relative) level of real earnings.

III

The Moral for Us All

The last couple of years have seem some deterioration in Norway's remarkable postwar performance of combining reasonable price stability with high and steady levels of employment and of social peace. The Norwegin economy has survived the recent international recession without serious unemployment and without a substantial loss of growth output but, in 1972, the pace of price increases assumed such proportions as to prompt the authorities to resort to a new severe price freeze in September—less than a year after the previous freeze.

A number of factors have contributed to speed up inflation. With little fiscal restraint, excessive pressures had built up during the 1969-70 upswing and remained excessively high during most of 1970. A strong sellers' market has thus been allowed to develop in which wage drift naturally strengthened. Inflation abroad weakened restraint from foreign competitors so that firms had less difficulty in passing on cost increases in higher prices. Rapid growth in total public spending, even though matched by rising revenue, added to demand pressures since some of the additional taxation reduced private saving rather than consumption. While excess certainly was one key element behind the stronger wage and price increase, two other factors played an even more important part, particularly in the later stage of the acceleration when demand pressures were easing off.

public expenditure

One was the rapid rise in public expenditure and consequential increase in taxation, with growing emphasis on indirect taxes and other cost charges. Not only were prices raised directly by increases in indirect taxes and employers' social security contributions, but the rapid increase in taxation of various kinds designed to finance the sharp rise in old age pensions and other transfers and meet the rising money costs of government expenditure on goods and services, ran into "taxpayer resistance" which showed itself in wage demands and wage drift. The second factor was the alteration in successive years between "solideristic" wage settlements aimed at raising the wages of the lower paid workers and efforts by higher paid groups of wage and salary earners to restore their relative or absolute level of real earnings through local or individual bargaining during the period between settlements.

The acceleration of price increases in the last few years may therefore reflect in part a widespread unwillingness—even among sections of the public in principle in favour of more egalitarian incomes polices and more ambitious public spending programmes—to accept the consequence of these policies for their own absolute or relative levels of real disposable incomes.

Some redistribution of income has been achieved, most obviously in favour of recipients of transfer income at the expense of the active population. But privately financed consumption has hardly risen in real terms over the last three years, and there has probably been a loss of real disposable income for certain groups in weak bargaining positions. The sharp rise in unit labour costs has squeezed profits, notably in the export sector. On the other hand, despite two bi-annual markedly egalitarian wage agreements, wage disparities on the whole changed little between 1969 and 1972. And these changes in the distribution of income, such as they are, have been achieved at the cost of acceleration in the rate of price increases.

wishful thinking

It is doubtful whether, during 1972, the rate of growth of consumer prices will slow down as much as officially expected. The price freeze imposed last September was too short-lived to have much impact. A substantial further increase in wage costs will follow from a number of decisions made in 1972. Employers' social security contributions were again raised as from January 1 and the 1972 national wage settlement for employees in industry provides for additional pay increases in the spring of 1973 in the form of higher wage rates, semi-automatic indexation to the annual rise in the consumer price index and a wage drift guarantee.

A major objective of policy must now be to keep wage drift down to the guaranteed minimum level. This requires restraint through monetary and fiscal policy to prevent a recrudescence of strong pressures in the labour market. If further increases in taxation are to be kept within reasonable limits—and such increases may themselves be cause of faster wagedrift—the pace of expansion of public expenditure will have to be slowed down. Conversely, if there are signs in the next few months of a further weakening of private investment, some selective sitmulus could become appropriate.

While the short-term outlook for better overall balance in the economy remains clouded, prospects in the somewhat longer run appear to be more favourable. The current balance of payments will be strengthend through exploitation of the recent gas and oil discoveries in the North Sea. Even if the greatest part of the production is landed and processed abroad, substantial foreign exchange gains will result. Royalty payments and taxes of foreign oil companies could amount to as much as one per cent of GDP in a few years Domestically, one can only hope that, following a period of

appreciable improvements in living standards of the inactive part of the population, claims for still further increases will become more moderate. The recent inflationary experience may also teach some lessons for the future. Developments since 1970 have demonstrated that, however strong the arguments in favour of redistribution of incomes, it is important to ensure public support for reforms which require income sacrifice from some parts of the population.

Sources and acknowledgements: The following summarises the latest Annual Survey of Norway's economy published by OECD (2 Rue Andre Pascal, Paris 16, France), but the OECD is responsible neither for the emphasis of my summary not for my interspersed comments, based on a variefy of sources.

Asean in action

Hardev Singh
Bangkok.

IT SEEMS that the governments in Southeast Asia are influenced more by political factors than economic gains. Consequently, steps towards regional cooperation for mutual benefit appear to be moving slowly, punctuated with long periods of inaction. The most serious hindrance in the way of lasting cooperation has been the close association of some countries of the region with big powers. Perhaps, the other reason is their border disputes.

Despite differences, these countries did, from time to time, try to evolve a common approach which could lead to regional integration. One such effort was the evolution of MAPHILINDO, an association of Malaysia, the Philippines and Indonesia, which was largely ineffective because of border disputes between Malaysia and the Philippines over Sabah. Another association which attracted attention for some time was the Asian and Pacific Council (ASPAC), made up of Australia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Taiwan, Thailand, and South Vietnam. This again was hardly functioning for a long time and its future could be considered bleak because three countries in the group,—Japan Australia and New Zealand—had already recognised China and they would prefer not to sit with Taiwan.

dynamic organisation

An association of three countries, Malaysia, Thailand and the Philippines, called the Association of Southeast Asia (ASA) was formed in 1961. After a few years of ineffective existence, it was superseded by a more dynamic organisation, the Association of Southeast Asian Nations (ASEAN) in 1967, which was formed by letting in two more members, Indonesia and Singapore. The activities of ASEAN have, by and large, been limited to socio-economic issues and the organisation has been trying to evolve areas of cooperation in the fields of education, planning, research, shipping, air transport and a number of industrial projects.

In view of the history of such association in the region it would be uncharitable to state that the ASEAN has made little progress. The ASEAN has been able to inspire these countries to evolve a common approach to tourism and by way of one concrete step they have formulated a package tour of the capitals of these countries. Similarly, the ASEAN has been able to move the governments to develop a common policy in respect of steel production. This still is in preliminary stages.

The ASEAN does not have as yet a permanent secretariat of its own. However, each of the countries has a governmental wing to deal with the matters of the organisation. A small cell in the ECAFE has been operating as the only common secretariat, following developments and offering some advise from time to time.

significant meeting

The recent special ministerial meeting of the ASEAN at Kuala Lumpur, was significant in the sense that this essentially socio-economic organisation discussed mostly political issues. However, these countries would gradually realise that it would not always be possible to separate socio-economic and political issues. The meeting held discussions around two main issues, namely, assistance to war-torn countries of Indo-China and a proposed meeting of the Asian countries followed by the expansion of the ASEAN.

The five nations agreed to channel aid to Indo-China countries and offered to participate in the rehabilitiation and reconstruction of their economies. A special ASEAN committee was proposed to be established to process and channel aid. This committee would work out details and would meet before the sixth ASEAN ministerial conference in Bangkok on April 16 and 17. It was pointed out that the ASEAN countries could help by way of construction work and also by supplying food. It was revealed that aid would not be channeled through international organisations.

The meeting recognised the desirability of convening a conference of all Southeast Asian nations to serve as an Asian forum at an appropriate time. In fact the ASEAN nations seemed hopeful that as peace prevailed in the region, the association could be expanded to include both Vietnams, Cambodia, Laos and Burma.

The discussion relating to the latter part of the propositon seemed rather formal expressions of goodwill, full of pious platitudes. It was Thailand and the Philippines that talked most about an extended Asian forum. But the presence of American forces and bases in these very countries would come in the way of such a move. In fact Hanoi's official newspaper charged recently that the US was transferring its Air Force headquarters in Southeast Vietnam to Thailand in preparation for a "new war". It stated that the bases in Thailand were a threat to Viet Nam, Laos and Cambodia.

The stand taken by Indonesia appeared more practical when it told the four other members of the ASEAN countries that while it viewed the presence of American military forces and land bases in Southeast Asia with understanding and sympathy, such proposition could not be but temporary in nature.

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BOOKS BRIEFLY

The strike syndrome

Reviewed by
Academicus

Anatomy of a Strike : Ishwar Dayal, Suresh Shrivastava & Theodore A. Alfred; Somaiya Publications Pvt. Ltd; Pp 192; Price Rs 32.

Employment Relationship in the Building Industry : C. K. Johri and S. M. Pandey; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi; Pp 208; Price Rs 25.

Agrarian Conditions in Northern India, Volume I—The United Provinces Under British Rule 1860-1900 : Elizabeth Whitcombe; Thomson Press (India) Ltd, New Delhi; Pp 330; Price Rs 55.

Export Bank for India : Indian Institute of Foreign Trade, New Delhi; Pp 100; Price not given.

Our National Security : K. Subrahmanyam; Economic & Scientific Research Foundation, New Delhi; Pp 65, Price Rs 5.

Railway Management in India : G. S. Khosla; Thacker & Co. Ltd; Bombay; Pp 336; Price Rs 35.

Jay Engineering Works Ltd. (JEW) had won fame for its managerial practices. Its workers were known to earn very high wages and its production was known to compare favourably with that of organisations of its kind even in the west. And yet there was a prolonged strike from December 17, 1963, to May 27, 1964, in the factory. Naturally two questions arise in this connection. Why should there be a prolonged strike in a company which was considered successful on all counts and was paying the highest wages to its workers? The second aspect is whether there can be an academic comprehension of such a major event as a strike in a company to enable the management to anticipate the events and be in a position to avoid such breakdowns. *Anatomy of a Strike* is "an exploration with the methodology of studying events in human organisation."

primary factors

What have been the findings of this study? The authors are of the opinion that the strike in JEW was due to three primary factors, namely the state of disequilibrium in which JEW system was functioning, the fears and anxieties experienced by the management and the trade unions, and thirdly the social, political and economic climate in the country.

In December 1963 the company's financial, economic and technological areas showed signs of imbalance. This had created tensions between management and the union. According to the authors "the inadequacy of the administrative system made the heaviest contribution to this state of tension in the post-1960 period. The delegation of authority at the departmental level especially in respect to human problems, remained, inadequate." What was worse "there was an almost total absence of awareness at both management and union levels of the non-going process." Naturally this caused progressive deterioration in the administrative system of JEW.

failure of agreement

The failure to achieve the objectives set out in the agreement of 1958 regarding labour participation in management was ascribed to 'human nature', to 'social conditions in the country' and 'militant nature of the union'. 'This sense of disillusionment and frustration appears to be the main sources of ultimate break-down in the understanding that had developed in the early phases preceding the 1958 agreement.

As regards financial and economic factors, imbalance in the financial area of JEW was vaguely felt by the management which influenced senior executives' fears for achievement and success. But the true state of affairs was never explicitly recognised. Such uncertainty and vagueness cause anxiety among senior executives, but seldom lead to specific corrective measures.

As regards the environmental factor, it was the political climate of the country that had its share in bringing about deterioration in the situation. The hereto fairly composite communist party broke up in 1963 into communist and Marxist parties, each seeking support from the members of the union. But the authors are firmly of the opinion that JEW was not directly affected by these changing power alignments in AITUC. But JEW indirectly became a victim mostly because the company was in a state of ill health, which made it vulnerable to external pressures and influences.

On the basis of analysis of the developments in JEW, the authors have worked out a plan for studying and predicting events in an organisation. According to them events in an organisation have to be understood through "the constellation of interacting forces in the total system." An adequate explanation of a phenomenon like a strike in JEW has to be sought by examining the impact of the total activities of the organisations. Management-union differences alone are insufficient to explain a strike.

nature of imbalances

Could events be predicted in an ongoing organisation? The authors believe that this can be done, firstly by identifying the key sub-systems in an organisation and secondly by developing a simple method of analysing an organisation. Thus in JEW the three major sub-systems were the administrative system, the socio-technical system, and the economic system. The analysis of JEW suggests that due to imbalance in the administrative system, imbalances in the economic and socio-technical system become more critical leading to illness of the organisation; and being ill, the organisation was open to external pressures and influences. The authors have emphasised that the identification of the precise nature of imbalances is important for diagnosis as well as prediction of events.

The authors have found in the experience of JEW the key elements contributing to the health of an organisation. According to them an 'ill' organisation is more likely to be conflict-prone than one that is internally healthy. Equi-

librium among the various sub-systems of the organisation is an index of the health of an organisation. An 'ill' organisation is likely to be open to influences from its environment which would further accentuate the imbalances. Democratic and consultative practices between the management and the union require strong institutional bases within the organisation. It must be understood that conflict is not endemic to industrial society. This emphasises the fact that management needs understanding of the organisational dynamics and the processes that lead to distortion in interpersonal and intergroup relationships.

Strikes have become almost ubiquitous in India at present characterising every industrial sector, public and private, small-scale and large-scale, white collar and blue-collar workers. Thus in 1972 alone India lost about 15.5 million man-days due to various types of strikes. Can a poor country like India afford such a loss? The remedy does not lie in mere legislative measures which are too often resorted to India to solve most of our economic and other evils. Though the volume under review has covered only a case study, the lessons drawn are of general applicability. It is high time similar studies are undertaken by major industrial establishments in the country, especially to locate internal imbalances in the establishment and causes of ill health. It is important for the management to note the most significant lesson of this study that it is the internal ill health of an establishment that makes it vulnerable to external pressures which are all too eager to enter the fray at the earliest opportunity. Was not almost the same conclusion arrived at by a study on gheraos which was reviewed in these columns some time back?

LABOUR IN BUILDING INDUSTRY

Economic research on building industry is rather scanty and the paucity of data in regard to working and living conditions of workers in that industry in India has been keenly felt by the government of India. It is surprising how this important and vital sector of the Indian economy has remained neglected by Indian scholars. *Employment Relationship in the Building Industry* therefore comes as a welcome portent.

The building industry represents an important branch of the national economy. In terms of employment it is one of the largest single industry in India, employing over two million workers accounting for nearly 4 per cent of the country's agricultural force. In Delhi alone this industry employs about 35 thousand workers. This study has made an attempt to draw some general conclusions from a study in depth of building industry in and around Delhi.

According to the authors the building industry in Delhi is characterised by a relatively high labour-cost ratio, temporary nature of work, seasonal nature of employment, gang labour, preponderance of small sized firms, high rate of labour turnover on individual work sites and almost complete absence of stable employer-employee relationship.

So far as the building industry in Delhi is concerned, the authors found that an overwhelming majority of workers are rural in origin, male, married, illiterate, of so-called low-castes, unskilled and in the age group of 18 to 34. It was also found that dependency load on workers was pretty heavy. There was also widespread indebtedness.

recruitment of workers

The recruitment of unskilled workers is generally through intermediaries, namely the jamadars or mistris who exploit them fully. None of the employed workers received any information from the employment exchanges which shows how irrelevant they are for workers in this industry.

It appears that there is something in the industry that discourages workers from making commitment to it, quite a few wanting to go back to agriculture or take up a job in a factory. Great majority of workers had no training, formal or informal, though the skilled workers had received some training. Also, whatever training experience there was, was not properly utilised. This results in misallocation and wastage of resources. It was also found that misallocation and wastage also resulted as many trained in some other crafts had per force to accept jobs in building industry. In Delhi it was found that hardly any training scheme that suited workers in this industry existed and what is worse, most contractors did not prefer trainees graduating from the industrial training institutes, both because of high wage expectations and the air of superiority associated with them. Nor was their productivity any higher than the other skilled workers who had not been similarly trained.

In spite of the model rules of the CPWD, the working conditions of workers in the building industry are shocking in the extreme. The most important reason is the absence of competent inspectorate to enforce the model rules. Though minimum daily wages are fixed, skilled workers generally get slightly higher wages. This is not due to union activities but is due to scarcity of skilled workers. But the fact remains that wages fared badly in relation to prices. The system of payment of wages through intermediaries has given rise to many malpractices such as unauthorised deductions.

intra-union rivalries

Trade union movement in the building industry is of relatively recent origin. But intra-union rivalries based on political, ideological and personal factors characterise the building industry both in the public and private sectors. The financial position of most of the trade unions is poor as also members' participation in their activities. Some other reasons for weak trade unionism are ignorance and migratory character of workers and the fierce opposition of the intermediaries who want to ensure the dependence of workers upon themselves.

As per the credo of Shri Ram Centre that "research should illumine at least a few key policy issues" and that researchers should, if possible, develop a policy frame and make some recommendations that would result in distinct improvement over the existing conditions, the authors have made a number of suggestions to improve the condition of workers in building industry.

The most important suggestion is regarding breaking the link between workers and intermediaries and 'decasualisation of labour'. Contracting firms should be allowed to grow in size, accumulate financial and technical means and develop organisations capable of executing any task. The government on the other hand, according to the authors, should enact a law limiting the number of workers and contractors in the building industry, without impairing competition. According to the authors a precedent already exists in the Dock Labour Boards. But if decasualisation is to become a viable proposition to be extended to the entire building industry, it is necessary first to create building contractors' organisations with business outlook and permeated with management culture. The authors suggest that the central government should enact legislation enabling state governments to create building labour boards. The decasualisation scheme includes registration with the building labour board in a given area, of all the contractors current-

ly in the building industry and directives to all public agencies and private individuals to approach the board for entrusting building work. All workers are to be on the register of the board so that contractors can employ them when the need arises. There should be rules regarding wages, hours and conditions of work, age of retirement and so on. Since the training programme cannot be left to the industry, government should step in to set up suitable training institutions with a system of stipends. The authors firmly believe that a radical departure in public policy through decasualisation of labour in building industry will release dynamic forces and convert this stagnant industry into a progressive one.

That a major industry such as the building industry should have been entirely neglected both by the government and the planners for so long is a measure of both lack of vision and incapacity of the government which has however found time and resources for activities of much lower priorities. Johri and Pandey have therefore done well to draw attention to this industry. What has been said about the building industry in and around Delhi is true of that industry all over India—if anything, the picture in all respects is more dismal.

AGRARIAN HISTORY

Among the British possessions, India stood pre-eminent by reason of its vastness, immensity of population and almost immeasurable wealth. It is well-known to the students of history that by 1850 the East India Company's narrowness and inefficiency had become an increasingly irksome frustration to the furtherance of the political and economic interests of the British Empire. Events after 1850 followed rapidly in logical succession: the annexation of Oudh, the 'Mutiny' uprising, its suppression by the British army and the formal substitution of Crown rule for the East India Company rule as a guarantee henceforth of "peace, security and constructive administration." The administration was to be consolidated on a grander scale and the range of its activities was to be widened.

The North-Western Provinces and Oudh were drawn by their very geography into the forefront of this grand design. Canals were dug to divert water from the Ganges and the Jumna into an irrigation network to expand the productive capacity of the Doab plains. Railways and roads linked the Ganges valley with the agricultural hinterland and ensured a passage from Bengal to Delhi and Punjab. At the same time the machinery of the government was subject to constant review. The company's fiscal system was revised to secure equity and increased productivity. The radical revision of land revenue which was implemented, district by district, from the mid-1850s brought government into direct and constant contact with society. Vast official records compiled by generations of English officers with the help of their native subordinates constitute collectively a wonderful chronicle about the transformation of agrarian society and its environment. It is this gradual transformation which has given modern agrarian conditions in northern India their peculiar stamp. From this period, the modern institutional framework—public works, fiscal system, property law, machinery of justice and local government-derives its immediate origin. It is in order to clarify the circumstances of that origin and hence the nature of modern agrarian problem in embryo in parts of northern India that research was undertaken which is embodied in *Agrarian Conditions in Northern India—Volume I: The United Provinces under British Rule 1860-1900.*

impressive spectacle

The system of British rule with its impressive spectacle of canals, roads, railways, telegraph lines, law courts and jails so much dominated its environment that it bolstered the confidence of English officers who were committed to careers in Indian administration and in the ability of "the vigorous West to remedy the ills of the chaotic and dissolute East."

Experience of the NWP and Oudh had confirmed at an early date the existence of formidable obstacles in the official machinery itself. The chronic lack of qualified staff and insufficiency of knowledge led to persistent refusal to take action. Public finance was subjected to scrutiny which could result only in curtailment of once ambitious expenditure. Yet the major part of land revenue was earmarked according to a list of official priorities at home and abroad which meant that only a minute fraction of land revenue returned to the provinces in the form of productive expenditure on agricultural improvements. In India itself the maintenance of the administrative machinery dominated budget allocations. Thus in Oudh as early as 1870 out of the public expenditure of Rs. 1 crore, about 61 lakhs were spent on civil administration, Rs. 26 lakhs on military establishment, and only Rs. 492 on agriculture! Land revenue was the chief source of revenue and the revenue administration itself ran up annual charges of lakhs of rupees on regular establishment. For NWP alone for 1870-71, the revenue collection charges amounted to 4.5 per cent of revenue collections, excluding expenses on survey and settlement operations. According to the authoress the expenditure on administration was lavish and improvement projects were relegated to the files of the government.

expanding administration

The local population paid for the expanding administrative machinery in a variety of ways. Zamindars and cultivators paid their land revenue and water rates and minor officials collected fees for their services. During survey and settlement operations swarms of amins claimed their maintenance from rural population and collected fees for entries in records. Similarly registration clerks took fees for services to traders at the customs and registration ports. At the law courts even chaprassis exploited their position to collect their commissions. Such practices had become "the very stuff of local administration." Neither the zamindars nor cultivators could accumulate resources for improvement of land and mahajans who had the resources could seldom penetrate the defences of local society to apply their wealth to soil. All therefore tended to live on immediate returns.

Employment in the lower ranks of government services, subordinate revenue administration, post and telegraph, railways, police and the army fed numerous members of the middle and upper classes of local society. Meanwhile migration from among agricultural labourers was beginning. Agricultural conditions especially in the eastern parts of the NWP were such as to suggest a supply of surplus agricultural population for the recruiting agents from the tea gardens of Assam, coal fields of Bengal and Bihar and expanding cotton industry of Bombay.

The sudden and uneven stimulus administered to local agriculture left its mark in the form of cases of good soil well watered and carefully attended. But the great wheat trade which had re-oriented much of the agriculture of the NWP and Oudh was doomed to come to a relatively early end. This was because as one author writing in 1876 lamented: "All wheat must come from the provinces of the West...Western America could produce more than double enough grains for the whole population of the globe. And of course what can be, will be. And what will the husbandman (of India) do then, poor things?"

As pointed out on a number of oc-

casions in these columns, Indian economic history happens to be a much neglected department of study. That even a western scholar like Elizabeth Whitcombe should be attracted by this study shows its attractiveness which so far has however failed to appeal to Indian scholars who would do well to go through this book based on abandant factual material treated with exceptional analytical ability. And to those who are cynical about such historical studies, it may be pointed out that "This analysis of agrarian problems of modern India from the standpoint of their immediate past reiterates...most fundamental lessons...that lasting solutions for such problems must be sought in the combination of regorous technical dissection with a proportionate awareness of the intricacies and the demands of social relationships." This is indeed a monumental work.

EXPORT BANK

Importance of promoting exports of developing countries cannot be overstressed. In fact their rates of growth will depend upon rates at which their exports will grow. In the development of export business, especially of capital goods, offer of credit facilities to importers plays a very important part. In the international markets at present, competition is no longer restricted to quality, price and delivery schedules but has come to be extended to terms and conditions of payment. This means success of export promotion efforts has come to depend to an increasing extent on exporter's ability to offer advantageous payment terms. Thus total credits, both private and public, extended by developed countries to encourage exports of consumer as also capital goods rose from $2.5 billion in 1969 to $2.7 billion in 1970. These credits are extended for periods ranging from one to five years and in certain cases for even longer period.

Generally commercial banks are reluctant to extend credit beyond 180 days. Most of the countries have therefore established specialised financial institutions which extend direct credit to importers abroad to enable them to purchase goods on cash basis from domestic exporters. Such credit facilities can be a powerful promotional tool, especially in the marketing of capital goods and equipment. And therefore in India, the Mathrani Committee (1963) the Joshi Committee (1967), the Federal tion of Indian Chambers of Commerce and Industry and the National Council for Applied Economic Research all made strong plea for setting up a specialised institution to provide comprehensive export credit and guarantees including risk insurance to which Indian exporting community may turn. If USA and Japan have established Export-Import Banks to finance their exports, cannot India which urgently need to push up her exports establish a similar institution ? In *Export Bank for India* the Indian Institute of Foreign Trade has very strongly pleaded for the establishment of the Export Bank.

According to the Institute the present institutional framework for financing of Indian exports suffers from various defects such as multiplicity of agencies, absence of non-recourse financing, absence of buyers' credit, inadequate coverage of export risk, and neglect of special problems of exporting technical consultancy and engineering services. There is thus a very strong case for setting up a separate export bank in India. It is this institution which will then provide an integrated approach to export financing, give specialised treatment to project exports, deal successfully with problems of exporting technical services and joint ventures abroad, tap foreign sources of funds and undertake the task of promoting exports.

false objection

The objection by the Banking Commission that cost of credit will increase because of the establishment of a separate institution is not true; in fact because of specialised handling, the cost of credit will be reduced. The Banking Commission also argued against an export bank maintaining that IDBI is in an excellent position to obtain market information relevant for exporters and play the role of promoting exports. The answer is that the hands of IDBI are already full with the task of promoting industrial development. The problem of manpower can be easily solved by recruiting personnel from financal institutions, Reserve Bank, from the present export promotion agencies and commercial banks.

As regards the functions to be performed by the export bank, the institution is not to compete with commercial banks but is to be a specialised financial institution to which exporters could turn for assistance when they have to transact large business especially on deferred payment terms against tough competition. Thus the objective of the export bank is to facilitate the growth of a broad based export sector through provision of adequate finance and related services. It is to provide expert financial knowledge as also funds to its clients from the exporting country. It is to provide finance only for exports and unlike the Export-Import Bank of Japan would desist from financing imports. It would provide direct loans to exporters, credit to overseas buyers, provide refinancing export credit, offer financial guarantees and take steps to develop exporting industries. Its promotional activities would include identifying markets and exportable products, providing information about the general economic and political conditions, market trends government rules and regulations in foreign countries, guidance in negotiating and finalising sales contracts, including exports involving turnkey-projects and joint ventures and undertaking other related activities in regard to promoting Indian exports.

There is also fairly detailed analysis of the organisational set-up of the EBI. The most important point that is stressed is that while the EBI is to be a specialised financial institution and while it should be in constant contact with the Reserve Bank and other commercial banks, what is most vital of the successful operation of an institution such as EBI is flexibility and freedom of action in management.

There is no doubt that there is a very strong case for establishing a specialised institution like the Export Bank of India for dealing with the complex and complicated problems of export trade. One therefore fails to understand the stand taken by the Banking Commision in this regard.

NATIONAL SECURITY

In India writings on national defence and security are rare and writers on defence matters are rarer still. Defence matters are yet conducted in democratic India in a manner that is reminiscent of colonial policy in this regard during the British regime. The government of India has not yet realised that undue secrecy in such vital matters as defence is not conducive to the building up of morale of civil population. K. Subrahmanyam's monograph on our national security, *Our National Security*, comes therefore as a welcome change.

The author begins by defining the concept of national security. National security for a developing country like India "does not merely mean safeguarding its territorial boundaries. It also means ensuring that the country is industrialised rapidly and has a cohesive egalitarian and technological society." We have to evolve a common system of values and until that is done, the

country will remain vulnerable to external pressures.

To begin with we will have to answer such questions as national security against what and whose threats and to defend what values. All these questions relate to the same fundamental political issue—what kind of society are we planning to build?

The United States is the most powerful country in the world today and it does not want the present *status quo* to be altered. According to the author the USA does not want India to emerge as one of the major powers in Asia. This has been its long term objective and hence there is a great consistency in US policy towards India and Pakistan which will always be backed by USA. Our treaty of friendship and cooperation with USSR has only strengthened USA in its traditional resolve to back Pakistan. USA may not be openly hostile to India, but it will certainly be friendly to Pakistan which is hostile to India. Chinese aims are more obvious and they are definitely apprehensive of India becoming a major power in this region and threaten her position with the cooperation of the USSR. It is not what we think of ourselves but what others think of us that matters in international politics. Any plan of defence and national security, according to the author, must be formulated by India against this background. This is an immense task and India must brace herself up to face it. If it fails to meet this challenge, there is the genuine fear that India may disintegrate.

fundamental assumptions

Thus according to K. Subrahmanyam the fundamental assumptions of our national security policy should be as follows. Pakistan and China will for next seven to ten years be on inimical terms with India. USA may prove an adverse factor in our security calculations. Because of Soviet Union's multiple strategic preoccupations, India cannot rely on Soviet countervailing influence and support being always available. Due to increased energy requirements USA will take more interest in South-East Asia. Frantic arming of Iran by USA must be seen in this context. Iran may pass on arms to Pakistan which may also get surplus arms from Western Europe. Also USA is likely to maintain its interests in the Indian Ocean which in turn will attract USSR and Japan, USSR to pre-empt Japan and the latter to get reliable sources of raw materials, especially uranium and low sulphur crude. The Sino-Soviet conflict will have repercussions on India since China and USA view this country as leaning towards the Soviet Union. If our economic and other difficulties create conditions of uncertainty within the country, that will provide incentives to outside powers to intervene covertly in our domestic affairs. Further assumption is that to assume that there will be no attempt at nuclear blackmail by USA and China against India will mean taking undue risks.

It is against this background that the author has drawn an outline of a defence policy.

The author is of the opinion that India must be in a position to face successfully simultaneous threat from China and Pakistan. Though there is our treaty with the USSR, it would be prudent to deal with them with our own resources. Our planning must provide for additional divisions within our current manpower ceiling to the extent possible by improving our teeth-to-tail ratio. If necessary we must consider expansion. Faced with the possibility of two adversaries, India's aim must be to hold one and to reach a quick decision with the other i.e. obviously with Pakistan. This will require not only additional manpower, but additional fire-power, mobility, water-crossing capability and ability to operate significant forces in desert terrain.

sense of security

Obsolescent weapons are useless and dangerous as they consume resources for maintenance and also induce a false sense of security. To ensure herself reasonably against interventionism of big powers, India must have weapons and equipment which will raise the cost of such intervention above the admissible minimum. "Long-range threat assessments, timely well-formulated defence policies, and comprehensive R&D programmes are basic to the philosophy of self-reliance."

The country must develop economically (especially industrially) rapidly and create an egalitarian society in which every member of society has a stake. According to the author, if the vested interests come in the way of the establishment of an egalitarian society, the country will be vulnerable to external pressures. The author's prophesy therefore is that within the next generation, either India will emerge as a major power or will disintegrate.

The problems of defence and national security are so vast that they must receive constant attention. The author therefore has suggested that study groups should be formed to study in depth problems such as decision-making and planning in an integrated manner for defence and development, planning for science and technology, both for defence and developmental needs, long-range aspects of maritime industry, total communications requirements of the country, development of border areas and so on.

Our defence affairs are yet conducted in the old colonial manner without revealing very much to the people. This will certainly be damaging to our national interests. People in a democracy must be in a position to take keen interest in this vital matter and if possible make their intellectual contribution. Government has failed to arouse the interest of the people in matters of national security. K. Subrahmanyam has been doing pioneering work in this field and therefore this excellent monograph is most welcome.

RAILWAY MANAGEMENT

What is it that ails Indian railways? The ever-increasing overcrowding, vexatious irregularity of trains, rising costs and therefore rising passenger fares and freights, ticketless travel, over-aged engines and railway tracks, increasing thefts and payment of compensation exceeding the cost of maintenance of railway protection force which is often alleged to be hand-in-gloves with gangs of thieves and robbers, and above all the precarious nature of railway finance in recent years make one wonder whether Indian railways are an asset or a liability? Gone are the days when railway travel used to be a pleasure! It has now become an adventure for the bold and the brave and a nightmare for the rest who would rather avoid it, if possible. Have the days of Indian railways numbered? All the world over the tendency appears to be to scrap railways in favour of motor transport. Is India going through a similar phase? What is the future of Indian railways? G.S. Khosla who was with the Indian railways for 35 years and retired as general manager of the Western Railways tells, the inside story in his *Railway Management in India*.

Indian railways which commenced their first journey on April 16, 1853 when 14 railway carriages with about 400 guests left Bombay for Thana watched by a vast multitude and to the salute of 21 guns, have travelled a long way over more than a century and two decades and have become a stupendous

business and a vital public sector enterprise. The author has traced briefly the history of the development of Indian railways through its various stages.

Coming to the specifics, the author deals with various problems of administration. Indian railways are at present divided into nine zones each headed by a general manager who is the king-pin of the administrative system of a zone. It is the general manager who provides services in his territory dovetailing them with neighbouring zones, maintains fixed and moving assets in good order, keeps watch on income and expenditure, maintains liaison with the public, press and government departments and guides and counsels his officers and men to infuse in them the will to get the results. This is indeed a stupendous job!

As regards railway finances, the total assets of the Indian railways are of the order of Rs. 4493 crores and the capital-at-charge or the loan capital advance by the general exchequer to the railways is Rs 3101.3 crores. The Indian railways consistently made profits for sixteen years since 1950-51 and these aggregated to Rs 324.6 crores giving an average of Rs. 20.3 crores per annum. But since 1966-67 they have been losing, the deficits having been Rs 18.3 crores in 1966-67, Rs 31.5 crores in 1967-68, Rs 7.9 crores in 1968-69 and Rs 12.6 crores in 1969-70, an average of Rs 17.6 crores per annum.

rehabilitation of finance

The author has offered some suggestions for the rehabilitation of railway finance to the pre-1966 level. Enhancement of passenger fares, attracting more high-rated traffic by upgrading such traffic in the wagon priority schedule, expansion of containerisation and services that guarantee supply of wagons on demand and time-bound deliveries, reduction of working expenses, reduction in the number of employees by working off redundancies against the normal attrition by retirement, closure of uneconomic lines, reduction in the outlay on users' amenities, speeding up the pace of mechanisation and freezing for a limited period the contribution to the Depreciation Reserve Fund are some of the measures suggested by Khosla to rehabilitate railway finances.

Like all insiders and bureaucrats Khosla often brings a narrow and mechanical view to bear on the analysis of some of the aspects. His suggestion to reduce expenditure on amenities for travellers might result in burning down some wagons or even stations and his suggestion to close down uneconomic lines, if carried to its logical extent, would leave only a few lines in operation in the entire Indian subcontinent. An infrastructure such as a railway must not be judged only by its direct revenue. Society will have to consider various indirect economic and cultural benefits of railways in extreme cases some railway lines may have to be even heavily subsidised. It is this narrow profit and loss angle which has left vast tracts of India still in isolation and people segregated. People like Khosla should realise that economic and social overheads have different accounting codes and have to be viewed with broader perspective than that of an auditor from the railways department or Accountant-General's office.

Writing on railway planning, Khosla has made some good suggestions such as steps to improve speed of freight traffic as delay in transit adds considerably to cost of goods to consumers. But his other suggestions such as closing down of unremunerative lines and several small workshops littered all over the country are again viewed in narrow perspective. The bureaucrat in Khosla asserts himself again and again!

In the last chapter Khosla has spoken about the streamlining of railway organisation and has made very useful suggestions in respect of delegation of powers at all levels, span of control, and re-zoning. There is too much of power concentrated at the level of the minister and Railway Board and greater delegation of power to general managers and divisional superintendents will pass the initiative to lower levels leading to quicker decisions and speeding up of work all round. The changes to bring about a more rational span of control at the zonal level suggested by the author is in line with the widely accepted concept in modern management that the chief executive should not have too many persons reporting to him directly. Re-zoning of railways necessitated by the addition of new lines and increase in traffic and expansion of responsibilities of zonal administrations will reduce the size of the zones to optimal dimensions and give the management a better grip over the administration. The author feels that reform in these three spheres will go a long way in streamlining the working of Indian railways which in turn will lower costs, raise efficiency and would give better service to the travelling public.

G.S. Khosla has drawn a comprehensive picture of the development and functioning of the Indian railways. His inside knowledge has made the discussion of the technical aspects of the subject very realistic and gripping. But like all experts he often inclines to be too narrow in his outlook and approach in matters of wider policies.

Indian economy in perspective

Indian Economics Year Book, 1972-73 : Raj Narain Gupta; Kitab Mahal, 15, Thornhill Road, Allahabad; Pp 313.

Reviewed by **B. Ganapathy Sarma**

THE BOOK, as the title suggests, attempts to present in one volume a panoramic view of the Indian economic scene so that the reader can have in proper perspective the progress made by the Indian economy during the post-independence period. To give a concise, compact and composite picture of the different facets of the economy within a short compass of about 300 pages is no doubt not an easy task but the author has accomplished it with remarkable success. The contents and the scope of the book, obviously, have been thoroughly revised and updated so that it fulfils eminently the growing interests and expanding needs of the intelligentsia.

The book, besides portraying the progress made by the economy, makes a brief and penetrating study of topics of current interest such as the growth of the public sector, deficit financing and inflation, ethics of foreign aid, etc. It also deals with, in a simple and matter of fact language, the miracles achieved by the green revolution, the benefits flowing from the industrial and technological revolution, the purposive role played by the nationalised banks in mobilisation of deposits particularly from the new rural rich and the notable progress made in diversification of credit specially in favour of weaker sections, the catalytic role played by the financial institutions in accelerating industrial development and the promise and performance of five year Plans and a host of other subjects. In brief the book in its 24 sections gives a balanced review of all the aspects of the economy—the land and people, natural resources, agriculture, land reforms, industries in public and private sectors, industrial finance, industrial labour and labour welfare, industrial policy and plans, irrigation and power, banking, currency and exchange, transport and communications,

foreign trade, national income, public finance, prices and cost of living, five year Plans and a wide variety of other topics.

The book is primarily designed for students of economics and researchers. It will not only help them to find conveniently in one place mass of data and provocative materials on all major issues but will also provide them with an opportunity for analysing and evaluating objectively the trends in the economy. It will be of equal interest to others who are craving for the latest interpretative statistics and facts on economic situation. The very fact that the present edition is the ninth in the series bears ample testimony to the high quality and the increasing popularity of the publication. In brief this is indeed a very useful, informative and valuable publication which no serious student of Indian economy can afford to miss.

To invest or not to invest

Tax Incentives for Indian Industry & Foreign Investment: Dalip Singh, IRS (Retd); Published by Atmaram & Sons; Pp. 151; Price Rs 25

Reviewed by **Bansi S. Mehta**

A LEADING jurist once opened his talk in the riot-torn Calcutta by stating that he was going to speak on a subject which did not exist: he was speaking on "Law and order". Cynically, one might say the same thing about Tax Incentives. Mr Dalip Singh's book is, therefore, a very tempting title and it must be said to the credit of the author that he has catalogued, in a language that easily puts across the content, the incentives that exist under our laws to promote investment. In a country which is known for its steep rates of taxation commencing from relatively lower levels of income and wealth, a comprehensive list of the concessions and incentives would indeed be most welcome. But equally true is the tragic fact that even an incentive avowedly given for a given purpose is often diluted or whittled down through obnoxious interpretations and still worse, an over-cautious tax administration. The limitation of a book calculated to inform lay minds about the rudiments of tax incentives, therefore, lies in this very aspect—the need for greater circumspection in implementing a plan to keep clear of what A.A. Shenfield advisedly calls "tax-pitfalls".

Mr Dalip Singh, an outstanding member of the Indian Revenue Service, must be congratulated for bringing out a compendium where a lay mind can readily find the various incentives. The book is divided into various sections, each dealing with an identifiable area of likely enquiry which a prospective—especially a foreign—investor would ordinarily pursue. It gives the broad framework of government policy regarding foreign investments along with an overview of the Indian Income-tax Act as also the Companies (Profits) Surtax Act, enumerates the various incentives provided under the tax laws incentives es upon certain special topics like Double Taxation Relief and Tax Clearance Certificates which invariably are the topics on which any foreigner seeks guidance. The author's endeavour "to collect....information at one place.... in easily intelligible form bereft of.... legal jargon" is well-achieved, to the extent the author paraphrases the various statutory provisions. But then the author has, at several places, bodily reproduced the relevant provisions, complete with the provisos and the explanations, which alone seem to satiate the eternal desire of our draftsmen to make the law "fool-proof"! Nevertheless, it would have been much better if the author had also indicated clearly the need for a study in depth of the various relative provisions (perhaps, with the aid of a mind equipped with the knowledge of tax intricacies) before a given incentive can effectively be availed of.

The obsolescence of any treatise dealing with our tax laws is indeed proverbial; and, therefore, in this book, published in 1972, one does come across a number of references to outmoded provisions or encounters lack of references to the material changes made in the applicable provisions. To illustrate a few, the reference to the deadline of September 30 for filing returns of income despite a change to July 31, made last year, no reference whatsoever to the surcharge imposed on companies, omission to refer to the notification already issued to grant allowance of development rebate only if the plant or machinery is installed by May 31, 1974, etc. But, by and large, the information contained in the book is quite accurate, though it is not entirely free from inaccuracies. For instance, the author has erroneously mentioned the percentage of deduction in respect of long term capital gain on transfer of assets other than land and building as 55 instead of 50. Likewise, the author's categorical statement about 'equality' of treatment by the government between a foreign and an Indian unit is, perhaps, an instance of over-simplification.

While it is true that a compilation of tax incentives is already published by another agency, the merit of this book lies in the comprehensive package of information that it presents. Nevertheless, the price of Rs 25 for the book appears to be on the high side, especially, since the other publication is quite moderately priced.

In sum, a very useful and informative book.

Foreign trade finance

Finance of Foreign Trade and Foreign Exchange (Third Edition): K. V. Venkataraman; Copies can be had from K. V. Venkataraman, C/o United Commercial Bank, Parliament Street, New Delhi; Pp 298; Price Rs 15.

Reviewed by **a Correspondent**

WRITING A book on the complicated subject of foreign trade and foreign exchange is by no means easy. Even more difficult is the task of explaining in simple language the wide and varied problems of international trade and payments. But Mr K.V. Venkataraman has done this. What strikes one most after going through his book on 'Finance of Foreign Trade and Foreign Exchange' is the clarity of expression, combined with a lucid style. That the third edition of the book has been published in just twelve years is an indication of its usefulness to banks, industry and trade, in general, and the student community, in particular.

There is much to be said for the way in which the author has dealt with the whole subject. He begins with a brief description of some of the important concepts of foreign trade—theory of comparative cost, balance of indebtedness, visible and invisible trade, balancing of balance of payment, use of credit instruments, fixing of exchange rate, purchasing power parity theory, entrepot trade and free ports—and goes on to analyse the intricacies of foreign trade

contracts and documents. In the next two chapters, he deals with the different aspects of finance for importers and exporters. The various types of credit (transferable, acceptance, fixed, revolving, packing and back to back credits) are lucidly explained. Also lucidly explained are the foreign exchange mechanism and dealings, exchange risks avoidance, and exchange control with special reference to exchange pegging, exchange depreciation, exchange clearing and multiple exchange rates.

A separate chapter has been devoted to exchange control in India. The author has tried to explain the existing rules and regulations in as simple a language as possible. Portions of the Reserve Bank's publication 'Outline of Exchange Control in India' and of the notifications on the changes effected subsequently are reproduced wherever necessary. Another separate chapter contains several examples for conversion of currencies, foreign bills collection, calculation of forward rates, forward option contracts, and swap and deposit operations. These examples and the problems taken from the question papers of CAIIB examinations will be very useful to CAIIB students.

There is, however, one chapter in the book which has not been properly planned. This chapter, entitled 'Money', covers aspects which, strictly speaking, are not inter-connected. They include nature and functions of money, paper currency and theories of money, Indian currency system, the Reserve Bank, the bill market scheme and the Indian money market, international monetary organisations, international liquidity and special drawing rights, World Bank, International Development Association and Asian Development Bank.

Books Received

Union State Financial Relations in India : N. R. Rao; Published by S. S. Wodeyar, Registrar, Karnatak University, Dharwar-3, Mysore State; Pp 326; Price Rs 30.

Industrial Licensing, Monopolies and Restrictive Trade Practices Law and Practice : F. L. Berarwalla; Jasmine Law Publishers, 53, Divyang, sixth floor, Sassoon Docks, Colaba, Bombay-5; Pp 1055; Price Rs 125.

The Calcutta Stock Exchange Official Year Book 1972 : Compiled and edited for the Calcutta Stock Exchange Association Ltd by Mr Prasun Kumar Ray and published for the same by Mr B. Majumdar, 7 Lyons Range, Calcutta; Pp 818; Price Rs 25.

Cotton Counts Its Customers 1969 (A Study of Raw Cotton Consumption by Major End-Uses) : Published by the Textiles Committee, Market Research Division, Worli, Bombay-18; Pp 116; Price Rs 10.

Central Planning In India (A Critical Review) : Sudha R. Shenoy; Wiley Eastern Private Ltd, J 41, South Extension 1, New Delhi-49; Pp 122; Price Rs 10.

Agro-Economic Problems of Tribal India : Edited by M. L. Patel; Progress Publishers, Durga Chowk, Bhopal; Pp 136; Price Rs 20.

Fertilizer Statistics 1971-72 : Published by the Fertilizer Association of India, Near Jawaharlal Nehru University, New Delhi 110057; Pp 695; Price Rs 25.

Seminar on Fertilizers in India in the Seventies, 1972 : (*Proceedings of the Seminar*) : Published by the Fertiliser Association of India; Price Rs 10.

Commodity Taxation in India : D. T. Lakdawala and K. V. Nambiar; Published by Sardar Patel Institute of Economic and Social Research, Sheth Mangaldas Marg, Ahmedabad-6; Distributed by Popular Prakashan, 35 C Tardeo Road, Bombay 34 WB; Pp. 189; Price Rs 30.

Tea-Statistics 1971-72 : Published by the Tea Board of India, 14, Barabourne Road, Calcutta-1; Pp 243; Price Rs 3.

Growth for Whom?: Vadilal Dagli; Published by D. B. Mahatme for *Commerce* (1935) Ltd; Pp 24; Price Single copy Rs 1.50; Annual subscription 15.

Winds of Change : Y. B. Chavan; Somaiya Publications Pvt. Ltd, 172 Naigaun Cross Road, Dadar, Bombay 400014; Pp 235; Price Rs 40.

A Critique of India's Fifth Plan : Lakshminarayan Sinha; Bharat Book Depot, Patna-4; Pp 62; Price Rs 5.

Struggle for Rashtrapati Bhawan : *A Study of Presidential Elections* : Z. M. Quarishi; Vikas Publishing House Pvt. Ltd.; Pp 190; Price Rs 35.

Early Indian Religions : P. Banerjee; Vikas Publishing House Pvt Ltd., Pp 241; Price Rs 30.

Gandhi's Social Philosophy : B. N. Ganguli; Vikas Publishing House Pvt Ltd; Pp 453; Price Rs 50.

International Studies (January-March 1973): *Vol 12 No 1 (Quarterly Journal of the School of International Studies)* : Editor M. S. Rajan; Published by Mrs Sharda Chawla, Vikas Publishing House Pvt Ltd, 5, Daryaganj, Ansari Road, Delhi-110006; Single copy Rs 15, Annual Subscription Rs 50.

Dissent on Development : *Studies and Debates in Development Economics* : P. T. Bauer; Vikas Publishing House Pvt. Ltd; Pp 550; Price Rs 75.

How Depositors View Indian Banking : Published by the All India Bank Depositors Association, 235, Dr Dadabhai Naoroji Road, Bombay-400001; Pp 18; Price Rs 2.

Thapar's Indian Industrial Directory (Fifth Edition): Editor: Yashpal Thapar: Published by Mrs Santosh Thapar; Giriraj Buildings, First Floor, Flat "E", 11, Altamount Road, Cumbala Hill, Bombay 400026; Price Inland Rs 100; Foreign $25 or £ 10.

FAO Commodity Review and Outlook 1971-72 : Published by FAO; Pp 225; Price $7.00 or £ 2.80.

Indian Grain Trader : *The Foodgrain Trade—Take over, Oppositional (Special Number)* : S. C. Shukla, Executive Editor; Published by the Federation of All India Foodgrain Dealers' Associations, 3979, Naya Bazar, Delhi-6; Pp. 96.



TRADE WINDS

FICCI

THE 46TH annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI) held in the capital between March 31 and April 2, 1973, approved five resolutions which brought out the current economic crisis. The first resolution dealing with the development of power suggested no less than eleven measures to increase the supply of electricity. The second resolution on the take-over of foodgrains and other trades by the state deplored that increased canalisation by the government would increase unemployment and the consumers would be exposed to the inefficiency of the bureaucracy. The third resolution gave some suggestions for improving the approach to the fifth five-year Plan, while the fourth resolution pointed out the harmful effects flowing from take-overs and nationalisation of industries. The last resolution put forward some recommendations for raising resources for development. All these resolutions are given below in full followed by the new members of the Standing Advisory Committee of the FICCI. Mr K.K. Birla has been elected Vice-President which implies that he will become President of FICCI next year.

I. Development of Power

Power development has been an integral part of every five-year Plan. Even so, the recent power crisis clearly demonstrates that power planning has been faulty. For some months now, the supply has been falling short of the demand in relation to even the slowed down pace of industrial development. The shortfall in supply works out to as much as 35 to 40 per cent. There are frequent un-notified power cuts and voltage drops, which quite often put several items of machinery out of action and in some cases imported machinery such as induction furnaces, for which it is not possible to get fresh import licences. Severe curtailment of industrial output has been compelling many industrialists to work unremuneratively. This is apart from the dislocation caused to production and delivery schedules and valuable export commitments not being kept up. Agricultural seeding and irrigation programmes have been adversely affected, including cash crops and foodgrain production, with pumpsets being put out of action. Defence production has been affected by non-supply of manufactured material.

2. The shortages that have developed are not entirely due to the failure of monsoons. It is not only hydro-electric power that is not available, but also power from thermal and other sources. Distribution of power from existing power stations and the establishment of fresh sources of power generation are largely the direct responsibility of public authorities. While distribution is affected by inadequate utilisation of installed power generating capacity and transmission losses, the establishment of new sources of generation is affected by inordinate delays in sanctioning new projects and implementing them in time. The statement of the central Ministry of Power and Irrigation that the country will have to reckon with power shortage that will go beyond the period of the fifth five-year Plan has caused dismay to entrepreneurs and those who have blue-prints for expansion awaiting immediate implementation. What is called for is a multi-dimensional programme which must be implemented boldly, thoroughly and urgently.

3. The Federation feels that it should be possible to improve the situation if the following short term and long term measures are taken :

(i) Existing generating capacity is under-utilised, one reason being defective maintenance. Maintenance of existing power plants and distribution system therefore needs immediate attention, and a task force of maintenance engineers should be given specific responsibility in this behalf to visit all power stations, study the deficiencies in maintenance, suggest measures for better maintenance and to keep a watch over the implementation of these measures.

An inventory of frequently wearing out parts in thermal units should be undertaken with a view to see that adequate stores and spares are maintained to obviate delays in carrying out shop floor repairs to plant and machinery. Where import licences are necessary in respect of replacements, these should be sanctioned by side-stepping the customary routine in the matter.

(ii) Since thermal plants are affected by transport bottlenecks, there must be a definite plan of coal movement from pitheads to centres of power generation.

(iii) Where leads are long for coal or furnace oil which are the two primary fuels for thermal stations, as in the case of southern region, there should be an ad-hoc plan for movement of fuels from pitheads or refineries to centres of power generation, apart from providing the facilities at thermal stations for adequate warehousing and storage.

(iv) The progress of establishment of regional and national grids had been slow. Steps to establish regional and national grids should be expedited in order to link surplus and deficit areas in power.

(v) The reasons for the delay in commissioning of projects should be thoroughly gone into, and where the delay is caused, as in many cases, by the long waiting for indigenous equipment, imports should be arranged expeditiously. At the same time indigenous capacity should be fully utilised and expanded.

(vi) There is evidence that there has been no vigorous power planning in the last few years, notwithstanding the existence of a cell in the Planning Commission and a body of specialists such as the CWPC and state electricity boards. the projects submitted for the approval by the state electricity boards should be quickly scrutinised for their viability and economy and orders thereon passed on a priority basis through combined action by the CWPC and the Planning Commission. Clearances through economic ministries should not thereafter take time for examination of project workability from their respective angles.

(vii) Expert bodies like CWPC should examine power plan proposals for establishing nuclear plant with understanding and speed, when they come from areas where conventional fuels are wholly unavailable.

(vii) The Central Electricity Act should be modified in accordance with changing requirements.

(ix) Industry must be allowed to set up captive generating plants either individually or by pooling the resources of a number of units. It will be economical if industrial units are allowed to generate power as a by-product by installing back pressure turbines.

(x) To facilitate such installations, there should be a special development rebate or tax holiday for a given period.

4. To provide necessary incentives for establishing captive thermal plant, the central

government should give necessary exemptions from Customs Duty on the imported plant and also exemptions from Excise Duty on fuel oils used in captive power units. This relief should be in force for at least one year after which the concession can come up for review. Irksome levies such as owned generation tax and the Electricity Tax at state levels should go. These measures are essential to reduce the hardship caused by high cost of energy produced by captive thermal units.

II. Take-over of Foodgrains and Other Trades

Over the years, government have been steadily canalising the foreign trade of the country through state agencies, and, more recently, increasing emphasis is being placed on public distribution system in the case of internal trade in essential commodities. As of now, over 70 per cent of the import trade has been canalised. A similar trend is discernible in the case of exports. As regards internal trade, the distribution of controlled cloth has already been taken out of the hands of the normal trade channels; the share of these channels in the distribution of iron and steel, sugar, etc. has also been considerably reduced. Private trade in cotton in Maharashtra has been displaced. It has been further announced that wholesale trade in wheat and rice will be totally taken over in all states.

2. The arguments advanced in favour of entry of the state agencies both in foreign and internal trades are many and diverse. Experience, however, has so far demonstrated that the expected advantages have not materialised. In the case of imports, bulk buying has not reflected itself in lower prices. In addition, industrial consumers are unable to get their supplies of the requisite quality and in time. The so called "service" charges are very high. With regard to exports the policy of canalisasation has introduced rigidity as well as uncertainty.

3. The position is much the same in the case of internal trade also. The consequences of take-over of wholesale trade in wheat and rice will be more far-reaching. Tens of thousands of farmers and millions of consumers will get exposed to the dilatoriness and inefficiency of the bureaucracy. Even now the handling charges of the Food Corporation of India, as has been acknowledged by the Agricultural Prices Commission, are very much higher than those of the private trade. Transit and storage losses, as per the Report of the Committee on Public Undertakings, have increased by 350 per cent and establishment charges by 170 per cent as compared to those incurred by State Food Departments. It will be tragic if public funds are locked up or frittered away on administrative expenses when there is a strong need to deploy resources for development. Moreover, at a time, when the employment situation is showing no signs of improvement, a large segment of self-employed persons would be deprived of their livelihood.

4. Against this background, the Federation recomemnds that :

A. *Re : Foodgrains and other essential commodities*

(*i*) A concerted effort should be made to increase production all round so that the basic problem of shortage is eliminated.

(*ii*) Buffer stock operations must be strengthened to avoid pressure on prices.

(*iii*) More effective channels of communication and coordination between government and private trade require to be established.

(*iv*) In respect of foodgrains, a joint consultative machinery of farmers, traders and government be created to locate problem areas, help maximise production, promote smooth movement and ensure fair prices.

(*v*) A system of licensing foodgrains dealers is already in vogue in all the states. It may be examined as to what suitable changes may be made in the terms and conditions of licensing to discourage stockists from holding speculative stocks.

(*vi*) A code of conduct may be formulated in consultation with state governments under which the trade may be asked to work.

(*vii*) Trade organisations should promote self-discipline and self-regulation among their constituents.

B. *Re : Foreign Trade*

(*i*) A clear cut policy has to be laid down for canalisation purely on economic considerations, and random actions in this respect should be avoided.

(*ii*) State agencies should have a well defined policy for pricing, keeping in view that they serve the essential goal of speedy industrial growth. In implementing such a policy, industry and trade should be consulted on a regular basis.

(*iii*) Every effort must be made to ensure that the demands of industry are met in time and delivery schedules are strictly adhered to.

III. Approach to the Fifth Plan

In spite of two decades of planned development not only has the per capita income not increased adequately but a large section of society continues to be below the poverty line. Betterment of the living conditions of the people should be the core of our Plan effort. The objective can be achieved in the Fifth Plan, if not wholly, at least substantially, if the basic causes of poverty, *viz.*, unemployment and under-employment, are tackled directly and in a manner that will support increased production. These efforts have to be supplemented by removal of regional disparities, maintenance of external viability through export promotion and import substitution and generation of larger savings. All these call for a proper policy frame which will enhance the level of growth and import a new orientation to development.

Considering these aspects, the Federation suggests the following for immediate action :

(*i*) Resources have to be deployed productively and managed efficiently. If investment decisions are taken on this basis, the rate of growth of the economy in the fifth Plan can be raised from the estimated 5.5 per cent to nearly 6.5 per cent, with 5 per cent growth in agriculture and 10 per cent in industry as against the envisaged 4.7 per cent and 8.3 per cent respectively, even with the same total outlay proposed by the Planning Commission.

(*ii*) Development has to be dispersed so as to reach the backward regions. Labour intensive programmes like minor irrigation, soil conservation, dairying, animal husbandry, fisheries, warehousing, small-scale industries, roads, etc., should be undertaken to generate productive employment. To plan, implement, supervise or to assist these programmes, a special development agency, which may be called District Development Authority, should be instituted, one for each district.

(*iii*) There should be added emphasis on production of mass consumption goods like foodgrains, textiles, sugar, vanaspati, cement, etc. Industries which provide the inputs for expansion of consumer goods industries will have to develop simultaneously. To reduce costs and prices, articles of mass consumption should be produced on mass scale.

(*iv*) While exports have achieved considerable improvement in recent months, the sustenance of this trend will depend upon the competitiveness of industries, the scope and facilities available to export houses, and the efficiency of service to foreign buyers. Every effort should be made to conclude a Commercial Corporation Agreement by India with the European Economic

Community. Export houses must be encouraged to make a special endeavour to explore new markets and new export products, build abiding commercial contacts, undertake aggressive salesmanship, provide after-sales service, maintain prompt delivery schedules, ensure quality of goods, use attractive packing and render such other services which will stimulate exports. Import substitution has to be given full opportunity and policy handicaps, particularly in the way of large business houses, should be removed. If the policy complex is re-oriented in such a manner, it should not be difficult to maintain a growth rate of 7-8 per cent a year in exports and restrain the growth in imports to 4-6 per cent;

(*v*) One important aspect of self-reliance is the development of indigenous research. Proper facilities should be created for development of imported technology, for adaptation of foreign technology to Indian conditions and invention of new technology and products. Sufficient inducement will have to be given to industry to undertake this task.

(*vi*) Development has to be engineered in conditions of stable prices. This is necessary not only to avoid unplanned redistribution of income but also to stimulate savings, promote exports, restrain wage increases and eliminate social tension. The main reason for the rise in prices in recent months has been excessive deficit financing on the part of government. Every care should, therefore, be taken in he fifth Plan to ensure that money supply does not increase beyond the legitimate needs of production and exchange.

(*vii*) A plan of the size envisaged will call for savings effort on the part of government, the corporate sector and households. A strict check has to be kept on the growth of non-development expenditure. Public sector enterprises should be managed efficiently so as to earn a commercial rate of return. Appropriate savings inducements will have to be given to the corporate sector and households so as to induce larger savings on their part.

IV. Nationalisation and Industrial Development

The Federation is in full accord with the government on the principle of industrial development within the framework of a mixed economy as set out in the Industrial Policy Resolution of 1956. It believes that potential for rapid economic growth and generation of employment exists in the country and that the public and private sectors have both to complement each other to realise the nation's objectives. For a mixed economy to function effectively it is necessary that there should be reasonable stability in policy with regard to the areas of industry to be developed by the private sector.

The series of takeovers and nationalisation, particularly since 1971, have created confusion and apprehension in private business. The grounds on which such decisions have been taken are so diverse and wide ranging that the climate for private investment has been vitiated. The position has been made worse with proposals from the state governments for nationalisation activities, including even industry coming within the purview of the centre. New entrepreneurs will be hesitant to set up new enterprises, and existing entrepreneurs will be discouraged to embark on expansion, modernisation and diversification of existing enterprises, if in addition to normal business risks, they have to take account of the possibility of sudden takeovers and nationalisation. Business confidence is further impaired by the absence of any assurance of fair compensation for the assets acquired.

The Federation recommends :

(*a*) That clear-cut guidelines be formulated and publicly announced regarding the grounds on which and the areas of industry in which takeover and nationalisation may be considered by the government.

(*b*) Before a nationalisation decision is taken by the government, the matter should be referred to an independent investigating body which will study whether the proposed nationalisation will be in the overall public interest.

(*c*) That in all cases of takeover and nationalisation, investors should be assured of fair and equitable compensation.

V. Finance for Development

Development in our country is considerably limited by finance. The drive towards self-reliance makes it all the more necessary to augment domestic savings and put them to the best use. While the vast bulk of savings originates in the private sector, a considerable part is diverted to government through taxation and borrowing. However, government have failed to deploy productively the monies so raised, and, in the process, deprived the people the benefits of development.

In the opinion of the Federation, the following steps have to be urgently taken :

(*i*) *Corporate Sector*

To stimulate corporate savings and investment, public and private limited companies should be uniformly taxed at 50 per cent. The Surtax, which is a tax on deficiency, should be removed. Since all Bangladesh levies have been withdrawn, the surcharge on corporate taxation, which was introduced along with them, should also be abolished. The proposed initial depreciation allowance for selective industries will not even partly take care of the increased replacement cost in a situation of rising prices. It has to be supplemented by additional depreciation allowance and made applicable to all industries.

Incentives for development of backward areas are welcome. To make the benefit of development meaningful the number of specified backward areas should be increased. In addition the benefit of tax-exempt profits should be available to shareholders.

(*ii*) *Houshold Sector*

Savings which go directly to finance productive assets, *e.g.*, bank deposits, industrial securities, fixed assets, etc., should be treated on the same basis as provident fund and life insurance.

The maximum marginal rate of taxation, as suggested by the Wanchoo Committee, has to be brought down to 75 per cent. Wealth-tax on income yielding assets should be allowed to be deducted for computing taxable income arising therefrom.

(*iii*) *Government Sector*

Government have to make utmost economies in non-development expenditures and exercise strict vigilance on the cost of development projects. Public sector undertakings have to earn an adequate rate of return to create funds for public sector outlays. For this reason, definite standards of performance should be adopted, responsibility for default properly fixed and accountability for performance indicated. The results would be favourable if public sector undertakings operate in competition with private sector.

(*iv*) *Commercial Bank and Financial Institutions*

The flow of finance is considerably activated by commercial banks and term financing institutions. In the changed monetary conditions, commercial banks should consider giving medium term loans for financing industrial expansion. Competition between banks should be encouraged and there should be no restrictions on transfer of accounts. Terms-financing institutions can mobilise larger savings, if they sell industrial securities to the public, particularly in rural areas. To avoid duplication of scrutiny, extra paper work and delays, a central agency has to be created to process applications when assistance from

more than one institution is sought. Financial institutions should refrain from interfering in day-to-day management of assisted concerns.

(v) *Indirect Taxation*

The Budget for 1973-74 which raises substantial revenue by way of indirect taxation will add to the already existing inflationary forces. Since imports are subject to control, and in the present international monetary situation have become more costly, the steep rise in import duties will only escalate the cost of capital equipment without helping the growth of indigenous industries. Full scale drawback mechanism will have to be devised to prevent exports, particularly of engineering goods, from becoming uncompetitive. The impact on cost of imported raw materials can affect small scale and cottage industries adversely. In order to retain our markets for traditional items like jute, tea, etc. it is imperative that export duties, which are proving onerous, are removed.

FICCI Office Bearers

Mr Charat Ram was elected President while Mr K. K. Birla was elected Vice-President for 1973-74. The following are members of the Standing Advisory Committee of the Federation : Mr Charat Ram, Mr K. K. Birla, Mr S. L. Kirloskar, Mr Ramnath Podar, Mr D. C. Kothari, Mr S. S. Kanoria, Mr Madanmohan Mangaldas, Mr P. V. Gandhi, Mr I. M. Thapar, Mr Hari Shnkar Singhania, Mr M. V. Arunachalam, Mr Prem Chand Jain, Mr J. H. Doshi, Mr A. K. Jain, Mr K. N. Modi and Mr R. P. Goenka.

Chavan for International Liquidity

Mr Y.B. Chavan, the union Finance Minister, recently addressed a meeting at Washington of the International Monetary Fund's "Committee of 20" and called upon to agree on "stable but adjustable exchange rates" and on making SDRs the principal reserve asset. Mr Chavan listed four principles for evolving the future international monetary system which would be responsive to the needs of both developed and developing nations, and stated that a reformed system should also provide for adequate transfer of real resources from developed to developing countries. Taking note of the general agreement among the deputies of the Committee of 20 Finance Ministers on a more flexible par value arrangement and better international management of global liquidity, Mr Chavan pointed out that the recent Paris accord among industrially advanced countries should be regarded as "ad hoc response" and not be allowed to come in the way of evolving a durable monetary system.

The four principles suggested by Mr Chavan were: (i) Recognition of the need for an improved functioning of the adjustment mechanism in a frame work of stable but adjustable exchange rates in a manner as would satisfy the aspirations of both developed and developing countries and which would also be equitable as between surplus and deficit countries. (ii) There should be a mechanism for dealing with speculative capital flows-consisting of an appropriate in mixture of controls and financing so as to ensure that exchange rates are not at the mercy of spculators and are changed only if there is a basic disequilibrium in the balance of payments. (iii) There should be better international management and control of global liquidity with the objective of moving towards a system in which SDRs will become the principal reserve assets as well as the numerate. (iv) The need to give positive encouragement to economie development and in particular the provision of a built in mechanism for an adequate transfer of real resources from developed to developing countries as an integral part of the reformed system should be recognised.

STC Operations

The provisional results of he State Tarding Corporation, released recently, reveal that the total exports of the group—the STC and its subsidiaries—during 1972-73 registered a sharp increase to Rs 188.2 crores from Rs 98 crores in 1971-72. Imports, on the other hand, declined from Rs 221.8 crores to Rs 192.7 crores. The domestic trade rose from Rs 12.8 crores Rs to 16.9 crores. The total turnover of the group was Rs 397.8 crores, as against Rs 332.6 crores in the previous year. The budget estimates for 1973-74 envisage exports at Rs 291.9 crores, imports at Rs 253.5 crores. domestic trade at Rs 10.2 crores and total turnover at Rs 555.3 crores.

The gross profit of the group at Rs 19.2 crores showed a decline of Rs 3.8 crores compared to the previous year. The profit before tax was down to Rs 12.1 crores from Rs 17 crores. Despite reduced profit, the group hopes to pay to the government of India 20 per cent dividend—the same as in the prcvious year—and 20 per cent bonus to its employees. Till now, the group has paid, since its inception, to the government Rs 55 crores by way of taxes and Rs 7 crores by way of dividends. It has built up an equity base of Rs 8 crores. Of this, Rs 6 crores base has been created from the group's own resources. The group has also invested from its own resources Rs 2.70 crores on its subsidiaries.

The exports of the STC individually rose from Rs 78 crores in 1971-72 to about Rs 168 crores in 1972-73. They are expected to go up to Rs 225 crores in 1973-74.

The setback to the profit of the group in 1972-73 was caused primarily by the fall in imports of oils and fats, which were exceedingly profitable items. The profit in 1973-74, it is feared, may also be lower compared to the previous years, because of greater emphasis on exports, reduced margins on imported items and steep rise in international prices in the case of some commodities. The efficiency ratios of the group, however, continued to be good in 1972-73. The ratio of costs to sales declined from 1.8 to 1.7, that of stocks to sales from 9.0 to 7.6 and that of debtors to sales from 7.8 to 5.5. In 1973-74, the respective ratios are anticipated to be 1.3, 4.8 and 4.5.

The sharp increase in the exports of the group during 1972-73 has been primarily the result of the canalisation of leather exports. This pushed up the group's exports of leather from the budget estimate of Rs 12 crores to no less than Rs 78 crores. Had this not happened, the exports of the group would have shown an improvement of about 24 per cent. The decline in imports in 1972-73 is attributed mainly to a sharp set-back in the imports of edible oils and fats because of the cutting-off of PL 480 assistance and rise in international prices. Imports of tractors also were lower.

Releasing the above facts and figures to the press, the Chairman of the STC group, Mr P. Sahai revealed that this public sector undertaking intends to participate in the equity base of certain selected state small-scale industries corporations. A small provision has been made in the 1973-74 budget for such an investment in the Maharashtra corporations. This is being done to guide and encourage exports from the small-scale sector, which have shown an encouraging trend in the recent past. Out of STC's own exports of Rs 168 crores in 1972-73, the share of the small-scale sector was Rs 117 crores. In the previous year, the exports of small-scale sector through the STC amounted to Rs 36 crores, out of the Rs 78 crores total exports of the corporation. The STC on its own is expected to export in 1973-74 to the tune of Rs 225 crores. Out of this, the exports of items produced by the small-scale sector are expected to be of the order of Rs 172 crores.

Mr Sahai also revealed that the Projects and Equipment Corporation—a subsidiary of

the STC—had submitted profiles of five industries to Peru and Colombia, for which it could offer turnkey jobs in collaboration with the National Industrial Development Corporation. The five industries are black pipes, heavy engineering, heavy electricals, heavy plates and vessels and ascorbic acid.

Questioned about the break-up of STC's trade with hard currency and the rupee payment areas, Mr Sahai stated that out of the corporations own exports of Rs 168 crores, exports worth Rs 102.6 crores were made to the hard currency areas and Rs 59.88 crores were to the rupee trade areas. The corresponding figures for imports were Rs 98.37 crores and Rs 24.66 crores.

The difficulties encountered in respect of exports of wagons to Yugoslavia, Mr Sahai said, had been surmounted. Yugoslavia had accepted the Indian view that Indian firms should not be held responsible for any delay in the assembly of wagons in Yugoslavia. The delivery schedule had been put off by about eight months due to this trouble. These exports are now expected to be completed in eleven months starting from July, 1973. Negotiations for the sale of 2,000 wagons to Poland, Mr Sahai revealed, were nearing finalisation. He expressed the view that there was a chance of a repeat order for wagons from this country.

Among the new items exports of which have been established by the STC group in the recent past include fresh vegetables, fruits, canvas shoes, rayon tyre cord, cosmetics, cigars, blades, leather goods and coffee. The group has now entered the trade in jute goods with the USA and the UK, processed food trade with Poland, tea trade with Lebanon, cement trade with Bangladesh and finished leather trade with South Korea. It also now exports shoes to Poland, leather goods to Bulgaria, France, Poland and the German Democratic Republic and castor oil to Japan, the USA and the UK. The group now handles 150 items of imports compared 84 items three years ago. Of these, 105 are canalised and 45 non-canalised item.

Canadian Development Loan

An agreement for another development loan of $ 10 million (Rs 7 crores) was signed recently between India and Canada. This line of credit will be used to import from Canada machinery, equipment and services. The first line of credit of a similar amount for similar purposes was given by Canada in July, 1971. The loan is on the soft terms which have applied to all Canadian assistance to India during the last six years. It is repayable over 50 years, ineluding a 10-year grace period, with no interest, service or commitment charges. The agreement was signed for Canada by its High Commissioner, Mr Bruce M. Williams, and for India by Mr M. G. Kaul, Secretary for Economic Affairs, Ministry of Finance. Including the loan granted Canada's financial assistance to India during 1972-73 will be of the order of $ 59.84 million (Rs 41.88 crores) in the form of loans, $ 13.55 million (Rs 9.48 crores) as grant and $ 1.99 million (Rs 1.39 crores) in the form of debt rescheduling.

Tariff Value for Sugar

The union government decided to reduce the tariff value for free sale sugar from Rs 275 per quintal to Rs 265 per quintal for the month of April 1973.

Pay Commission Report

The report of the Third Central Pay Commission was submitted on March 31, to the Finance Minister, Mr Y. B. Chavan. The commission was set up on April 23, 1970. Under its terms of reference, it was required to inquire into and make recommendations on the structure of emoluments, death-cum-retirement benefits etc., of central government employees, employees of union territories, personnel belonging to the armed forces and members of All-India Services. The report of the commission, which runs into about 3,500 cyclostyled pages, is divided into four volumes. Volume I deals with principles of pay determination formulated by the commission, minimum remuneration, starting salary of Class I services, the maximum salary under the government and pay scales of organised Class I services and posts falling under common categories. Volume II relates to pay scales of posts in the various ministries and departments of the central government and posts in the union territories. The pay scales, allowances and non-effective benefits of armed forces personnel are dealt with in Volume III. Volume IV contains recommendations in regard to allowances like dearness allowances, compensatory allowance, travelling allowance and other facilities; death-cum-retirement benefits; conditions of service and amenities like leave entitlement, medical facilities, hours of work. staff amenities, etc; matters relating to staffing and efficiency of government service, fixation of pay in new scales and financial implications of the commission's recommendations. Volume IV also contains a summary of the recommendations, the notes of dissent and various annexes.

IDA Credits

The International Development Association (IDA) an affiliate of the World Bank, announced recently two credits totalling US $ 93 million to assist key sectors of the Indian economy—electric power and agriculture. A credit of US $ 85 million will help finance a US $ 151 million project for the expansion of power transmission facilities in Assam, Delhi, Haryana, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Punjab, Rajasthan and Tamil Nadu. The project is part of a US $ 662 million programme of investments in transmission systems during 1972-73. The other credit of US $ 8 million will be devoted to the development of Agricultural Wholesale Markets in the state of Mysore. Among those benefiting from the project will be 700,000 small farmers in the state. Both credits to the union government are for a term of 50 years, including a ten year grace period. They are interest-free, except for a service charge of 3/4 of one per cent.

The project being financed by IDA includes the construction of about 4,000 circuit kilometer of transmission lines operating at voltages between 110 KV and 44 KV and about 60 substations with an aggregate capacity of about 4,600 MVA. The project forms part of a US $ 622 million investment programme for transmission systems to be constructed during 1972-77 by the State Electricity Boards of Assam, Kerala, Mysore, Madhya Pradesh, Orissa and Tamil Nadu, the Beas Construction Board to supply hydro-electric power to the states of Punjab, Haryana and Rajasthan, The Delhi Electricity Supply Undertaking, and the Tata Power Company which supply power to the Delhi area and the city of Bombay respectively. The project also includes communication and supervisory equipment for the Southern and Northern Regional Electricity Boards load despatch stations to enable optimum use to be made of generating capacity in their constituent states. The project is scheduled for completion in 1977.

The US $ 8 million credit will help to finance a five-year programme of investments in the development of agricultural wholesale markets in Mysore state. Traditional marketing systems are characterized by scattered opportunities, location in congested areas, inadequate storage and auction facilities. These leave the farmer little incentive to improve the quantity and quality of his production. In order to improve the situation the union government has encouraged governments to establish modern regulated markets. The IDA credit, like the previous credit of US $ 14 million for agricultural marketing in

Bihar, is in support of the government's strategy.

Loan from Britain

An agreement for a loan allocating £ 3.5 miilion (Rs 6.638 crores) of British aid to India was signed recently. The loan supplements the £ 30 million (Rs 56.904 crores) UK/ India Maintenance Loan 1972 signed so far, and will cover import from Britain of non-projects goods. Among these are raw materials. spare parts and components required to service India's agricultuial and industrial production. The loan is in addition to the £ 63 million (Rs 119.498 crores) of fresh aid to India during the financial year 1972-73 pledged at last year's meeting of the Aid India Consortium. Together with the additional £ 5 million (Rs 9.48 crores) lent on March 7, 1973, it brings the total amount of UK Maintenance Aid to India in 1972-73 to £ 33.5 million (Rs 63.542 crores). The loan is on the usual soft terms of British lending to India. It is interest free and will be repaid over 25 years with an initial grace period of seven years.

Another agreement was signed recently under which the United Kingdom will make available to India £ 3.3 million (Rs 6.26 crores) for the import of components and raw materials for the manufacture in India of three steam generating boilers. The funds will be made available under the UK/ India Mixed Projects Loan. The boiler will be installed in power stations at Amarkantak in Madhya Pradesh and Chandrapura in Bihar, to provide steam for three 120-megawatt thermal electric power generating sets.

Loans for Sri Lanka Repatriates

The union government has sanctioned three separate loans amounting to Rs 24.80 lakhs to the government of Tamil Nadu for the resettlement of repatriates from Sri Lanka in the state. The loan of Rs 15 lakhs is intended for business and Rs one lakh for assistance to those who have their own agricultural land in India. Both these loans will be for a period of 15 years and will bear an interest of 6 per cent per annum repayable in 12 annual equal instalments. The other loan of Rs 8.80 lakhs has been provided for 20 years to be repayable in 10 equal instalments for the development of tea plantation in 750 acres of land in Nilgiries district. In addition to this, the government has also sanctioned a loan of Rs 15 lakhs to the government of Mysore for the development of rubber plantation on 8,000 acres of land in South Kanara district. The loan will be available at the rate of 5 per cent per annum for 20 years payable in eight annual instalments. So far the states of Tamil Nadu and Mysore have been given loans of about Rs 2 crores and Rs 2.11 crores respectively for giving rehabilitation assistance to Sri Lanka repatriates. The Department of Rehabilitation has released loans amounting to Rs 4.58 crores till February, 1973 for the rehabilitation assistance to 5,113 families in form of business loans, housing loans, allotment of land for agriculture and employment in plantations. Since the repatriation started in 1964, 79,025 persons have arrived in India till December, 1972, out of which 32,658 arrived last year.

Telephones for E. Africa

The Indian Telephone Industries Limited, Bangalore, has received two orders worth Rs 67 lakhs from East African P & T Corporation for the supply and installation of telephone exchange equipment. The East African organisation floated global tenders and India's offer was the most competitive. Indian engineers will supervise the installation of equipment. The equipment to be supplied by ITI will be used for expanding fifteen telephone exchanges in ten towns of Kenya, Tanzania and Uganda. The towns concerned are Nairobi, Mombasa, Kisumu and Nakuru in Kenya; Dar-Es-Salaam, Mwanza, Moshi and Tanga in Tanzania and Kampala and Mbale in Uganda. According to the agreed schedule, delivery of equipment will begin in October this year and be completed in April 1975. Three Indian installation supervision teams will work from February 1974 to October 1975 to complete the work in all the fifteen exchanges. This is another repeat order for Indian Telephone Industries Limited from East African P & T Corporation. Earlier, several major automatic exchanges including those in Dar-Es-Salaam, Kampala and Mombasa were supplied by ITI and some of them have been in service from 1969. A notable feature of the earlier work as well as the present assignment is that very small teams of Indian supervising engineers are sent to instal large-sized exchanges. This is because a considerable number of local personnel are utilised through a work-cum-training programme.

Drought Relief

Pfizers

Pfizer Limited has donated five relief ambulance vans for medical relief work in drought-affected areas in the state of Maharashtra. The donation was made under the auspices of PIMRO (Pharmaceutical Industry's Medical Relief Organisation) which has recently been set up for administering medical relief to drought-affected people in the state. These relief ambulance vans have been specially designed and equipped with medical supplies for relief work and wlth facilities for removing patients by stretcher to nearby hospitals. This is part of the assistance from Pfizer towards drought relief work in the state. The company has already donated pharmaceutical products and nutritional supplements valued over Rs 3.60 lakhs, quantities of which have been despatched to district health offices in the drought-affected areas. The company has also agreed to donate a fully equipped mobile diagnostic unit which wlll be a unique facility for medical relief work in rural areas. The total value of the Pfizer contribution will be around ten lakhs rupees.

Sandoz

A mobile diagnostic laboratory was presented through PIMRO on behalf of Sandoz. Medical teams now working in the drought areas were handicapped for want of facilities for detection of diseases they came across among the villagers they treat. The mobile diagnostic laboratory, the first of its kind to be put into service in the drought areas, is fully equipped for on-the-spot diagnosis of diseases common in drought and famine conditions. Accurate diagnosis would ensure pinpoint medication, and also increase the daily number of treated patients. Some of the tests that can be done by the diagnostic laboratory are: blood investigation, urine examination, stool examination, and gynaecological tests. The screening unit and the generator installed in the laboratory have been donated by Wander. Even after the drought emergency ends, this laboratory on wheels will continue to be used for medical relief work in villages.

Names in the News

Mr V.G. Rajadhayksha, Chairman of Hindustan Leaver Limited, has expressed a wish to retire after twentyfive years' service towards the end of June 1973, in order to take up an outstde appointment. Mr T. Thomas, Technical Director of the company, will succeed Mr Rajadhyaksha as Chairman. Mr Rajadhyaksha who joined the company as trainee in 1948 and, after working in the factories at Calcutta and Bombay, joined the Board as Development Director in 1965. He became Technical Director in 1966 and Chairman in June 1968. Mr Thomas who is a Chemical Engineer from Madras University joined the company in 1954 in the Industrial Engineering Department and after working in factories at Ghaziabad, Calcutta and Bombay joined the Board as Technical Director in 1968.

Mr M.M. Malhotra has recently taken over as Secretary to the Associated Chambers of Commerce & Industry of India. Mr Malhotra has had considerable experience in the petroleum industry with Burmah Shell and ONGC.

COMPANY AFFAIRS

Usha Alloys and Steels

USHA ALLOYS and Steels Ltd, promoted by Usha Martin Black (Wire Ropes) Ltd proposes to set up a plant for the manufacture of high and low carbon alloy steel billets with an annual licensed capacity of 50,000 tonnes per annum. The plant will be located at Adityapur near Jamshedpur and it is ideally situated as the site is well connected by road and rail with key industrial centres such as Ranchi, Bokaro, Bhilai, Calcutta, Dhanbad, Durgapur and Rourkela. In the first phase the company proposes to manufacture between 28,500 and 35,000 tonnes and the company hopes to commence commercial production by the middle of next year. The current annual requirement of high carbon steel billets of the promoters of the company, Usha Martin Black (Wire Ropes) Ltd, is estimated at 25,000 tonnes. Further Usha Martin has a substantial industrial expansion programme in hand and by the time the company reaches full production, there is every likelihood that a major portion of the company's production may be taken by them. It is estimated that the country's current annual requirements for high carbon alloy steel billets is far in excess of the country's present production and it is therefore considered that the company will have an assured market for its products. The company has an authorised capital of Rs 2 crores in 15,00,000 equity shares of Rs 10 each and 50,000 preference shares of 100 each. The paid-up capital of the company amounts to Rs 16.01 lakhs. Out of the present issue of 7,39,900 equity shares of Rs 10 each and 30,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each, 50,000 equity shares have been reserved for LIC, 24,500 equity shares for Industrial Finance Corporation of India, 24,500 equity shares for UTI, and 1,99,900 equity shares for allotment to Usha Martin Black (Wire Ropes) Ltd for cash at par. The remaining 4,41,000 equity shares of Rs 10 each and cumulative preference shares of Rs 100 each worth Rs 30 lakhs are now thrown to the public for subscription. The subscription list opens on April 23 and will close on May 5 or earlier at the discretion of the directors of the company but not earlier than April 26.

Atul

Atul Products Ltd has fared extremely well during the year ended December 31, 1972. Sales soared to Rs 21.55 crores from Rs 15.43 crores recording a gain of as much as 40 per cent while gross profit shot up by 33 per cent to 3.16 crores from Rs 2.38 crores in 1971. The directors have, however, maintained the equity dividend at 15 per cent. Out of the gross profit the directors have, set apart a sum of Rs 101.14 lakhs to depreciation reserve as against Rs 172.78 lakhs in the preceding year while the allocation to development rebate reserve was slashed by a lakh of rupees to Rs six lakhs. Taxation calaimed Rs 98.50, Rs 38 lakhs more than in 1971. An amount of Rs 15.12 lakhs was earmarked for gratuity as against no provision in the preceding year. After adjustments a sum of Rs 10 lakhs—the same as in 1971—was transferred to debenture redemption reserve. General reserve was allotted with Rs 86.77 lakhs as compared to Rs 62.06 lakhs in the earlier year. The proposed dividend will absorb Rs 61.50 lakhs and will be paid out of the general reserve.

Anil Starch

Anil Starch Products has declared a higher equity dividend of 15 per cent for the year ended December 31, 1972 as against 12 per cent paid for the previous year. Gross profit during the year spurted to Rs 90.63 lakhs from Rs 54.26 lakhs while sales moved up sharply to Rs 9.24 crores from Rs 7.56 crores. The appropriation to depreciation reserve was reduced from Rs 25.08 lakhs to Rs 22.19 lakhs while the transfer to development rebate reserve was lower at Rs 2.90 lakhs as compared to Rs 8.30 lakhs in 1971. Taxation reserve was allotted with Rs 28.52 lakhs as against no provision in the earlier year. Besides a sum of Rs 12.30 lakhs was earmarked for gratuity as against no allocation in 1971 while the amount set aside to the general reserve was higher at Rs 23.47 lakhs as compared to Rs 12.04 lakhs in 1971. The dividends, equity and preference, will claim Rs 15.29 lakhs, Rs 2.99 lakhs more than in the earlier year and will be paid out of the general reserve. The company hopes to receive shortly the government's approval for its technical collaboration agreement with Japan Industrial Technology Association for the manufacture of glucose isomerase and isomerased syrups. It proposes to undertake the manufacture of sorbitol liquid and sorbitol powder for which it has already received letter of intent. The company is experiencing acute shortage of maize due to to drought conditions. It may not be able to run its startch, glucose and dextrose plant to full capacity if the raw material supply position continues to be unsatisfactory. Its surphuric acid plant and enzymes plant at Ahmedabad and the superphosphate plant at Bhavnagar are expected to show improvement in production during the current year.

Dharamsi Morarji

Dharamji Morarji Chemical Company has reported a setback in its working for 1972 with its sales and gross profit recording a decline over the previous year. The company's turnover dropped from Rs 10.82 crores to Rs 10.32 crores while gross profit slumped to Rs 2.05 crores from Rs 2.36 crores in 1971. The directors have, however, maintained the equity dividend of Rs 10 per share, about 42 per cent of which is expected to be free of tax against 37 per cent in 1971. The fall in profit was a sequel to the fall in production and sale of fertilizers due to strike for two months and drought conditions. Out of the gross profit the directors have set apart a sum of Rs 35.63 lakhs to depreciation reserve, Rs 5.38 lakhs to development rebate reserve and Rs 97 lakhs for taxation as against Rs 34.96 lakhs, Rs 4.25 lakhs and Rs 110 lakhs provided respectively in 1971. This leaves a net profit of Rs 67.09 lakhs as compared to Rs 86.73 lakhs in the preceding year. After adjustments the disposable surplus amounts to Rs 77.31 lakhs out of which a sum of Rs 64.94 lakhs was transferred to general reserve No 1 and Rs 12.37 lakhs to general reserve No 2. The proposed dividend will absorb Rs 25.49 lakhs, the same as in 1971. The company has received industrial licences to manufacture at the Ambernath Works annually 1750 tonnes of sodium silico fluoride, 1,550 tonnes of aluminium fluoride. 700 tonnes of sodium fluoride and 550 tonnes of activated silica. The government has also sanctioned an increase in the manufacturing capacity for alumina sulphate from 32,920 tonnes to 52,800 tonnes per annum. A letter of intent for the manufac-

ture of 750 tonnes diethyl sulphate per year has also been received by the company.

Globe Auto

Globe Auto Electricals has reported encouraging working results for 1972 which has enabled the directors to enhance the equity dividend to 10 per cent from eight per cent declared for the preceding year. The company's gross profit leaped from Rs 12.12 lakhs to to Rs 17.23 lakhs while sales went up sharply by about 25 per cent from Rs 1.78 crores to Rs 2.22 crores. The turnover has shown further improvements during the current year and the management has fixed a target of Rs 2.65 crores for sales for 1973. The company's expansion programme which would cost Rs 30 lakhs will be implemented by the end of 1974. The company had on hand orders worth Rs 1.50 crores. The directors have raised the allocations to all the reserves. The appropriation to depreciation reserve was stepped up from Rs 2.67 lakhs to Rs 3.46 lakhs, to development rebate reserve from Rs 4357 to Rs 1,25 lakhs and to taxation reserve from Rs 2.75 lakhs to Rs 6 lakhs. The recommended equity and preference dividends will absorb Rs 4.96 lakhs.

Engg. Construction Corporation

Engineering Construction Corporation Limited (ECC), a wholly owned subsidiary of Larsen & Toubro Limited, has secured record results for the year ended September 30, 1972. Income from completed jobs, increase in works-in-progress and technical fees rose to Rs 992 lakhs from Rs 744 lakhs in the previous year. The increased income resulted in a record rise in profits. Profits before depreciation, development rebate and taxes rose to Rs 49.09 lakhs in 1971-72 as against Rs 29.21 lakhs in the previous year. The company has emerged has a leading constructor of civil works for atomic power projects, fertiliser factories and petrochemical, installations. It also undertakes execution of mechanical, electrical and instrumentation contracts and is now together with L & T fully geared to undertake and turnkey projects in India and abroad. The ECC has a comfortable backlog of contracts of the value of Rs 1,300 lakhs.

Indian Aluminium

Indian Aluminium Company Ltd has reported all round improvement in its working results during the year ended December 31, 1972. During the year company produced 78,581 tonnes of primary aluminium in 1972 as compared with 79,901 tonnes in 1971. The output at Alupuram smelter was a shade hihger at 19,336 tonnes while production at Hirakud recorded a fall by 2213 tonnes to 20,925 tonnes due to power cuts. The Belgaum smelter produced 38,320 tonnes as compared with 37,481 tonnes in 1971. Revenue from sales increased to Rs 44.10 crores, registering a gain of Rs 4.16 crores over the preceding year. An outstanding achievement during the year was the successful bring ing into full operation of the company's new Rs 15-crore sheet mill at Taloja in Maharashtra. Despite considerable initial problems the plant produced 5,800 tonnes of rolled products. This modern aluminium rolling complex with its hot and cold rolling mill and related sheet finishing equipment will provide a nearby source of supply for the company's foil plant at Kalwa. It will also enable the company to better service the needs of its customers in Bombay and west coast areas.

The company has received a licence to expand its Belgaum smelter's licensed capacity from 40,000 to 60,000 tonnes per annum. This expansion will mean adding a third potline having 164 pots, a 50,000 tonnes per annum expansion to the Belgaum alumina plant, additions to the mining operations at Chandgad and generally expanding the other facilities within the Belgaum complex. It is expected that the new potline will be commissioned in early 1974. The expansion is estimated to cost Rs 16.10 crores out of which only seven per cent is the cost for the import of equipment. Besides the company is seeking permission to install an extrusion press with an annual capacity of 3,000 tonnes and to add 6,825 tonnes to its capacity at the Taloja sheet rolling mill and an additional capacity of 2,500 tonnes in the foil plant at Kalwa. These expansions are estimated to cost about Rs 4.0 crores.

The profit before development rebate and taxes amounted to Rs 8.38 crores, Rs 0.46 crore less than in 1971. The burden of taxation during 1972 was considerable as it absorbed Rs 3.33 crores as against Rs 1.92 crores in the preceding year. The allocation to development rebate reserve was reduced by Rs 1.59 crores to Rs 1.14 crores, leaving a lower net profit of Rs 3.91 crores as compared to Rs 4.19 crores in the earlier year. The loss of about 15 per cent of metal production due to power cuts and the strike at the Belgaum smelter, further increases in costs of raw materials, and escalation in wages without any offsetting increases in selling prices have by and large held down the year's profits. The prices received by the company for its products re main at lower levels than existed seven years ago in 1966. Since then the company has achieved remarkable success in holding down the cost through raising productivity at all its plants. But the directors regret that the scope for further internal improvements has become increasingly limited.

The company issued bonus shares in the ratio of one new equity share for every two equity shares held. The allotments were made on December 29, 1972. An interim dividend of Rs 0.75 per fully paid ordinary share and proportionate dividend on partly paid equity shares was declared and paid on November 2, 1972. The directors have now recommended a final dividend of Rs 0.90 per fully paid ordinary share, inclusive of the shares issued as bonus shares.

News and Notes

(*Expansion and diversification*)

Glass Engineers (GE) is planning expansion in a big way. The company an associate of Glass Containers Pvt. Ltd has secured orders for setting up three completely indigenous automatic bottle making plants valued at Rs 4.78 crores. These will be set up in UP for the Narang group of industries (Rs 1.58 crores), in Gujarat for Mohan Meakin Breweries (Rs 1.30 crores) and in Rajasthan for the Jaipuria group of industries (Rs 1.90 crores). Each factory will have two or three plants. The GE is capable of making six such plants every year. The automatic bottle making plants of Glass Container itself are designed, assembled and installed by Glass Engineers and they are running smoothly.

New Issues

Bilaspur Spinning Mills and Industries Ltd has embarked on an expansion programme aimed at increasing its spinning capacity from 12,000 to 25,000 spindles. To raise part of the resources required for the implementation of the scheme the company will be in the capital market with a public issue of Rs 33 lakhs comprising 3,00,000 equity shares of Rs 10 each and 3,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. The subscription list will close on April 25 or earlier but not before April 21. The project will involve a total capital outlay of Rs 1.35 crores. The company which is free from the problem of power supply, expects to complete the installation of the additional

Corrigendum

In *Eastern Economist* dated March 30, 1973, on page 681, at the bottom of column 4, under the caption NOTICE of Gabriel India Ltd., in the third line, please read one million instead of one billion. The error is regretted.

spindles by the end of 1973, although the increased production will rise progressively from May. Meanwhile the company has submitted an application to the government seeking further permission to instal further 25,000 spindles. The management proposes to execute this project as a new unit without raising additional share capital. Barring unforeseen circumstances the directors hope to declare a tax free dividend of 10 per cent for 1972-73 and the new shares will be entitled to a pro rata dividend.

Southern Agrifurane Industries will be entering the capital market shortly with a public issue of Rs 45 lakhs, all in equity shares of Rs 10 each. The proceeds of the issue will be utilised for financing partly the company's projects for the manufacture of furfural alcohol and furane resins and for the manufacture of potable liquors. The company holds an industrial licence for the manufacture of 6000 tonnes of furfural and 600 tonnes furane resins per annum. Its project for the manufacture of furfural from bagasse is stated to be the first large scale unit being set up in the country. Manufacture of furfural alcohol and furane resins will be taken up after the commencement of production of furfural. The company is also putting up a distillery unit for the manufacture of potable liquors. The plant will have a capacity of processing 5000 to 6000 tonnes of molasses per annum. It will be possible to produce 13.50 lakh litres of silent spirit per year. It is proposed to process 80 per cent of the silent spirit to produce country spirit and the balance to produce Indian-made foreign liquors. Both the projects are expected to be completed shortly.

New Registrations

Two hundred and twenty one companies were registered under the Companies Act, 1956 in different states/union territories of India during the month of July, 1972. Of these, two were associations not for profit, registered as guarantee companies while the remaining two hundred and nineteen were limited by shares. Of the 219 companies, 26 were public limited and 193 private limited having aggragete authorised capital of Rs 18.13 crores and Rs 12.11 crores, respectively. Two of these, namely, Andhra Pradesh Fibres Ltd and Andhra Pradesh Automobile Tyres and Tubes Ltd, were government companies, registered in Andhra Pradesh, with an authorised capital of Rs 3 crores each.

Fifteen of the companies registered during the month were large-sized companies having each an authorised capital of Rs 50 lakhs or above as shown in the table below.

During the month under review 45 companies were reported to have ceased functioning. All these companies were limited by shares and had an aggregate paid-up capital of Rs 43.9 lakhs. Nine of them (2 public limited and 7 private limited) went into liquidation and the remaining thirty six (4 public limited and 32 private limited) were struck off the register. The liquidated companies put together had a paid-up capital of Rs 39.4 lakhs while the paid-up capital of the companies struck off the register totalled Rs 4.5 lakhs only.

The highest number of new registrations was reported from the state of Maharashtra, while the union territory of Delhi reported the highest number of companies that ceased functioning during the month under review.

The state-wise distribution of new registrations (with liquidated and struck-off companies given in brackets) is as follows: Maharashtra 50 (9), Delhi 37 (18), West Bengal 33 (—), Tamil Nadu 19 (3), Gujarat 15 (11), Uttar Pradesh 14 (—), Punjab 11 (1), Mysore 9 (2), Andhra Pradesh 9 (—), Bihar 7 (—), Rajasthan 5 (—), Kerala 4 (1), Assam 2 (—), Madhya Pradesh 2 (—), Himachal Pradesh 1 (—), Goa, Daman and Diu 1 (—).

The industrial classification of these companies with companies newly registered and those which ceased functioning in brackets is as follows: Processing and manufacture 130 (22), commerce (trade and finance) 45 (17), and other activities 44 (6).

New Registrations

Name of the company	State	Public/ Private	Authorised capital (in lakhs)
Andhra Pradesh Fibres Ltd	AP	Public	300
Ravindra Steel Ltd	West Bengal	Public	100
AEW Janson Ltd	Delhi	Public	50
Indo National Ltd	Tamil Nadu	Public	125
Lamps & Lighting Ltd	Delhi	Public	50
Assam Schanzlin Ltd	Assam	Public	200
Mazaffarnagar Steels Ltd	UP	Public	60
Techno Tube Ltd	UP	Public	50
Tiber Locks Ltd	Delhi	Public	100
Rajasthan Containers Ltd	Delhi	Public	200
Andhra Pradesh Automobile Tyres and Tubes Ltd	Andhra Pradesh	Public	300
Purna Investments Ltd	West Bengal	Public	50
Nav Bharat Steamship Ltd	West Bengal	Public	50
Poonam Hotels Pvt Ltd	Maharashtra	Private	50
Rambagh Palace Hotel Ltd	Rajasthan	Private	75

Company Meeting

Indian Aluminium Company Ltd: Registered Office, 1, Middleton Street, Calcutta-16; April 25; 11 A.M.

Interim Dividends

Gokak Mills has proposed an interim equity dividend of Rs 11 per share gross for the half-year ended June 30, 1972 The company has paid a total dividend of Rs 15 per share for 1971

Kunal Engineering has announced an interim equity dividend of seven per cent for 1972-73.

Dividends

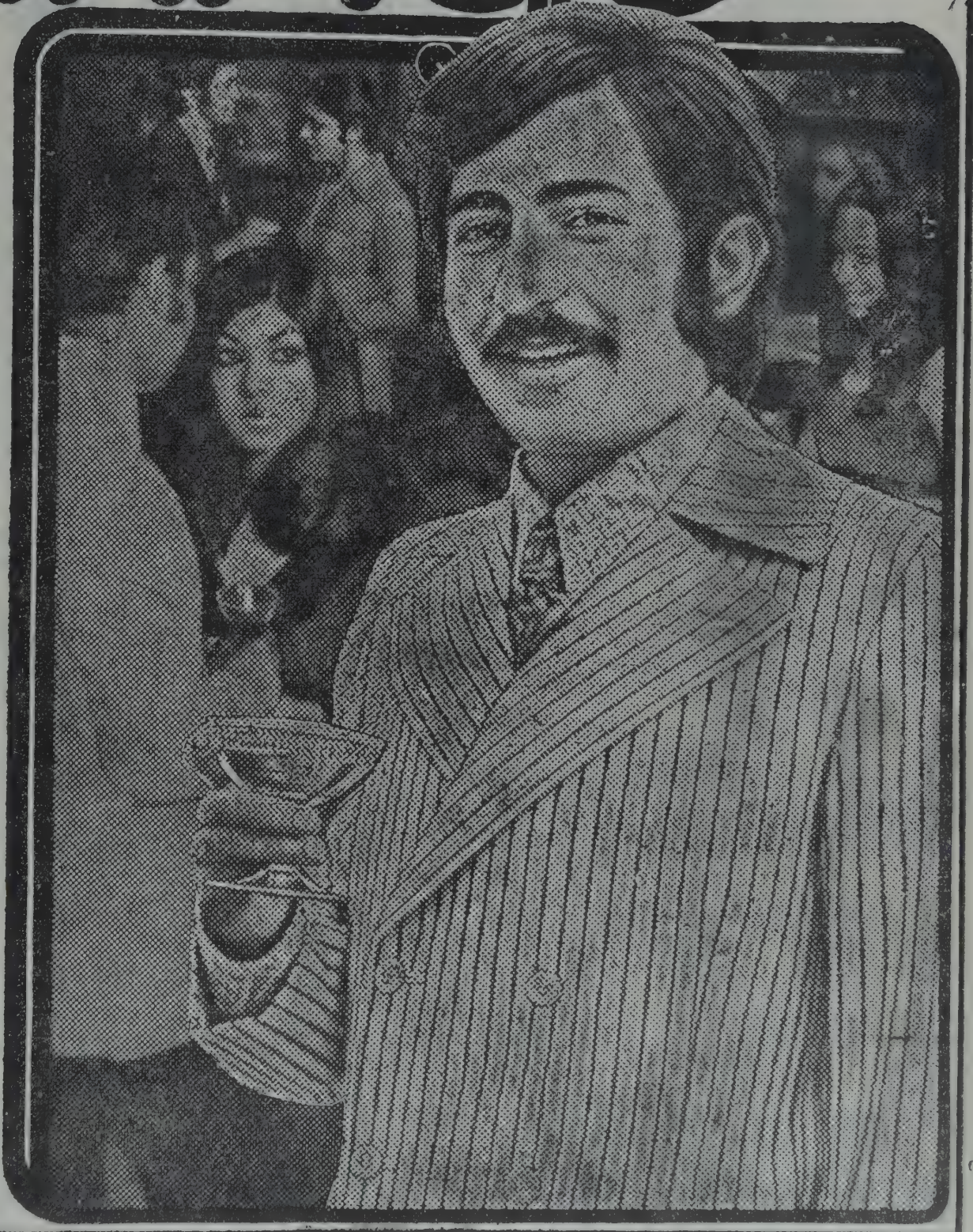
(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Sri Sarvaraya Sugars	September 30, 1972	15.0	6.0
Kesar Sugars Works	September 30, 1972	30.0	24.0
Asoka Mills	December 31, 1972	16.0	14.0
Vasanta Mills	December 31, 1972	9.0	Nil
Same Dividend			
Mothola Co	December 31, 1972	10.0	10.0
Western India Match Co	December 31, 1972	12.0	12.0
Mohatta & Heckel	September 30, 1972	Nil	Nil
Birds Jute and Exports	March 31, 1972	Nil	Nil
Paper Products	July 31, 1972	10.0	10.0
Bharat Fertilizers	October 31, 1972	10.0	10.0
Reduced Dividend			
Indian Wood Products	September 30, 1972	8.0	10.0
Ahmedabad New Cotton	December 31, 1972	14.0*	18.0

*On increased capital.

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State Bank Chairman's Speech

Credit to priority sectors on basis of Bankable propositions

Lending policy clarified : no detriment to financial discipline

Shri R. K. Talwar, Chairman of the State Bank of India, has stated that credit to the priority sectors can be made available only after formulating specific schemes that take into account the economic and organisational infra-structure.

"We are chary of hasty and adventurous measures that seem glamorous at first sight but are difficult in execution and could be disastrous in results", he said.

Referring to last year's competition for advances among banks, he said that as far as the State Bank was concerned, there was no lowering of lending standards whatsoever.

In his speech at the 18th annual general meeting of the shareholders, held in Bombay on Friday, the 30th March, 1973, Shri Talwar said :

"I am happy to welcome you all to the eighteenth annual general meeting of the State Bank of India. You will recall that last year's meeting was held in Calcutta. I said then that it was the intention of your Board of Directors to hold these meetings in different cities as often as practicable. I must, however, clarify again that there would be no point in holding this meeting in a city, in or around which the number of shareholders is too small to assure reasonable attendance. In any case, our choice thus being limited, these meetings can be held outside Bombay at best once in two years.

Working Results

The annual report, including the balance sheet as on the 31st December 1972 and the profit and loss account for the year ended that day, is already in your hands. In spite of higher operational costs and lower credit-deposit ratio, to which a reference has been made in the annual report, you will be happy to notice that the profit for 1972 was higher than for 1971.

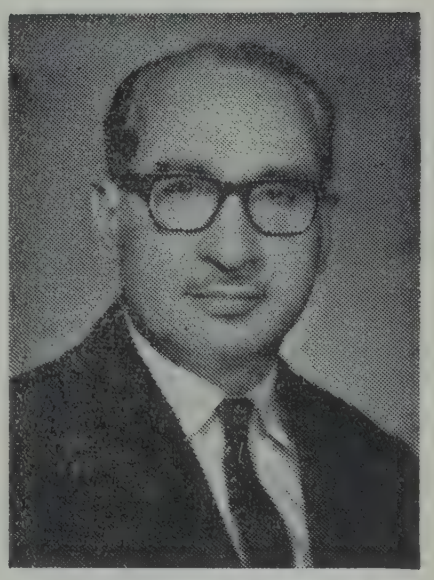
Surplus Liquidity

Last year I had reported, with a sense of satisfaction, an improvement in the Bank's liquidity during 1971 in keeping with that in the banking industry. This had been the outcome of a faster rate of deposit growth and slower rate of credit expansion. This development, in the wake of a prolonged period of resource stringency in relation to credit demand, was, of course, wholly welcome. The continuation, more vigorously, of this trend in 1972, however, caused some problems in the banking system.

Banks continued their thrust in the area of deposit mobilisation, as was incumbent on them to do, through branch expansion in rural areas as well as in metropolitan cities. Novel schemes were introduced, as witness our own premium prize deposit certificates and gift cheques. The success of these schemes was heightened by fortuitous factors coming into play, notably the heavy injection of deficit financing as revealed in the Government of India's Economic Survey. Concomitant with his upswing in deposit accretion was a slowdown in the demand for credit, not only for food procurement operations but also for industrial production in general. In the event, the banking system was confronted by a steep fall in the credit-deposit ratio at 66% in 1972 as against 73% in 1971 and 78% in 1970. From the stage of comfortable liquidity, we proceeded to the stage of a somewhat burdensome liquidity for the first time in more than a decade.

Competition for Advances

Two consequences of this development are noteworthy. One was that, to prop up their sagging credit-deposit ratio, banks began competing for advances. This was not exactly an unknown phenomenon. Prior to nationalisation and also thereafter, borrowers have transferred their accounts, either for better facilities or for greater flexibility in operations. The transfers of accounts that we saw in the latter half of 1972, however, could be construed as having in some instances gone beyond the boundaries of healthy competition. I had constantly voiced the opinion on various occasions during this period and at different forums that such unhealthy competition was not conducive to the growth of banking in this country. Although we were drawn into an unhappy situation, which we neither started nor perpetuated, I would like to assure you that, in so far as the State Bank is concerned, there was no lowering of lending standards whatsoever, nor was there a single instance where we could be held to have taken over any account from another



Shri R. K. Talwar

bank to the detriment of any financial discipline sought to be imposed by the other bank.

In such circumstances, the intervention of the Reserve Bank of India was necessary and I welcome their guidelines which have put a stop to the unhealthy competition of the recent past. In my view, the new guidelines should really herald an era of greater co-ordination amongst banks in the lending field. The major banks being in the public sector, it will be to our mutual advantage to strive for a convergence of ideas, not merely in the matter of credit appraisal but in follow-up and supervision as well. Once we make adequate progress in this direction, it wold not be unrealistic, perhaps, to express a hope that the monetary authorities could, in the foreseeable future, be influenced to relax, rather than tighten further, credit authorisation measures.

Financing Priority Sectors

A second consequence of the surplus liquidity was the spate of criticism, against not only the State Bank Group but against all banks, that they had failed to avail themselves of the opportunity to increase the flow of funds to the priority sectors. With all respect to those advancing this view, I wish to say that it is hardly necessary to emphasise our abiding interest in the priority sectors. We are, however, chary of hasty and adventurous measures that seem glamorous at first sight but are difficult in execution and could be disastrous in results. After all, if our resources were to be frittered away on wasteful projects, the advocates of instant aid to priority sectors would be ever more vociferous in condemning bank managements. The two premises on which such criticism is based are the need for funds by neglected and weaker sectors and the availability of these with the banking system. These premises are indisputable but, I am afraid, it is only up to this point that I can agree with the critics. To my mind, it is a rather simplistic notion if one were to believe that funds should have been injected into these sectors just because they were needed and were available. This is somewhat like saying that a patient who is in need of strength should be given all available food. After all, the patient's capacity to digest the food and convert it into energy must be reckoned with.

Let me restate our objective in this important field of bank lending. I believe that what is sought in such financing is not an outlet for the banks' resources, but that such credit should serve as a powerful tool for raising the level of production in these sectors and thereby improve the standard of living of the people connected with these activities. As I have indicated on past occasions, credit can be made available to these sectors only after formulating specific schemes that take into account not only the need for funds, but also the availability and development of the economic and organisational infra-structure.

Lead Bank Approach

The banking system has adopted the Lead Bank approach to enable the commercial banks to play their due role in the process of economic development. I believe that any strategy that we would like to adopt for purveying credit to the priority sectors should be given special emphasis in the framework of the Lead Bank scheme. The merit in this approach is that, at least geographically, our area of responsibility is clearly defined and this would enable us to set priorities for the deployment of human, physical and financial resources.

Under this scheme, the districts that have been allotted to the State Bank Group are all backward. A difficult and challenging task, therefore, lies before us in terms of ameliorating the economy of these areas. Our operations in the Lead Districts, as elsewhere, are essentially on the basis of an integrated area approach. It is agriculture that commands our major attention in our Lead Districts, in which we have already located 33 of our Agricultural Development Branches; many more will follow.

There is clearly a time-lag from the point at which an area is selected for intensive development up to the point when actual operations commence in the shape of loan accounts, and some more time is involved before results start flowing in terms of our stated objective. I feel prompted to indicate how this activity is conducted, and I shall give you brief details of the strategy that we are implementing.

The initial quick economic surveys of the Lead Districts have helped us to identify the centres where bank branches need to be established, but little more. As the next logical step, we have found it necessary to select pre-determined, manageable units of area for studies in depth—for the time being we regard such a unit as a 'development block'. Some studies have been completed and many more are in various stages of progress. A representative study reveals the credit gaps in specific terms, in each economic activity, the scope and potential for investment for viable economic growth, as also the infrastructure gaps that need to be filled. Plans of action, both short-term and long-term, emerge from a study of the various factors and subsequently get crystallised into 'bankable' propositions.

Financial Discipline

The success or failure of any action plan depends on the individual borrowers who have to make efficient and productive use of the credit provided. At one of our Agricultural Development Branches, advances had been granted to a large number of villages under various schemes for growing high-yielding paddy, new strains of groundnut, and other wet and dry crops. In one of these villages a group of borrowers belonging to the scheduled castes, a section deserving and receiving our special attention, turned recalcitrant and refused to repay the loans taken by them, despite good returns from their farming operations. We are not sure whether this was their own decision or they were instigated to this action by some other agencies, our evidence, however, points to the latter. All our efforts at persuading and educating the borrowers in the matter of financial discipline having failed, we have invoked the help of the official machinery and instituted legal proceedings for recovery of our loans. This experience has not merely stalled progress in that village but the frustration and disappointment of our field staff has affected morale and our work in the adjoining villages as well.

In quite another area, at a village where the people were at or below subsistence level, 50 families, initiated into poultry farming, not only repaid their loans within 18 months but also doubled the size of their operations. The scheme was extended to cover all the 100 families in the village, and I am not exaggerating in stating that the living standard in that village today is one of near affluence, by local yardsticks. This experience has been successfully carried to another village on a larger scale and what is more, the demonstration of this possibility has led to the State authorities initiating a similar scheme on a district-wide basis, and seeking our participation. Needless to add, ours has been a matching response.

In another instance, in a cluster of villages covering hardly 2,800 hectares of cultivable land in a dry belt, a group of enterprising small farmers were enabled, with substantial credit facilities, to plan and implement a scheme for lifting water from a nearby canal in a major irrigation system to wet their lands which are on a higher level. Within a few years farming operations have been mechanised, modern cultural practices have been adopted, extensive additional em-

ployment has been generated and per capita incomes have soared. Goaded by success, the farmers are now seeking to enlarge their incomes further by going in for dairy farming and, at one more remove, through processing of their own agricultural produce. One tangible effect of this success is the State Government's initiative in preparing similar projects for development of many more villages in the same area.

A crucial factor, therefore, for success in this activity is the integrity, enterprise and motivation of the borrowers. From the experience gained, we feel that what we can do is to start with a group of borrowers who are endowed with these attributes, help them to make efficient use of the credit and ensure that they derive the benefits intended. The success experienced can then be transplanted into a larger group and the area of operations gradually expanded. The purpose of my elaborating on this theme is to focus attention on the very considerable time and effort involved in this activity. In-depth studies, formulation of schemes and bankable proposition, initial experimentation and gradual extension are time-consuming; but I believe this is the process that will produce tangible and permanent results.

Government's Role

I would like to mention here one element which is of paramount importance to the development effort, namely, the co-operation, assistance, and, indeed, positive contribution of the State Governments and their agencies at the grass-roots level. Action plans or schemes formulated by us cannot but be within the framework of the concerned State Governments' development plans for the area. Problems arise when a State Government feels that we are there only to function as providers of funds, and, even that, in a manner decided upon by the Government; they feel unhappy when we raise questions about 'bankability' of the propositions and schemes. There has been, happily, welcome and positive response in some areas but one may say without complaining that there are many more areas where things are different. To quote an instance, the Government readily agreed, in one small area, to authorise the recording of particulars of share-croppers in the land records, enabling the Bank, thereby, to launch upon a special experimental scheme for financing these share-cropper agriculturists. The scheme was implemented with enthusiasm by the Bank, and the results in terms of increased production as also prompt payment of bank loans have been quite satisfying. In an adjoining area, in the same State, where the Government, for reasons of its own, decreed remission of all Government dues, the borrowers adopted the attitude of refusing the repayment of our loans also. I would plead that what is needed is an apperciation by the State Governments that our objectives are no different from their own, even though our approach may not be the same as theirs.

International Banking

In the field of international banking, the Bank's policy has been to assist the development of the country's export trade by providing the necessary advisory, promotional and financial services. We are well equipped to meet the diversification taking place in the country's exports and the projects we handled in 1972 covered a wide range, including export of steel rails, cement plants, textile mills, railway wagons, electricity generating equipment, diesel engines and heavy-duty transport vehicles. The goods went to a number of countries such as Iran, Iraq, Kuwait, Egypt, South Korea, Syria, Malaysia and the Philippines and also East European countries like Hungary and Poland. Our assistance went beyond the mere mechanics of providing finance and included advising exporters on drafting of the contracts and finalising documentation and other formalities which are of a highly technical character.

Apart from assisting the development of the country's export trade, international banking offers good scope for increasing our earnings, so necessary for carrying out our developmental activities at home. You may be happy to know that we are seriously considering the possibilities of expanding our international banking operations. The working of our foreign branches at New York, London and Colombo, and the Representative Offices at Frankfurt and Beirut, has been very encouraging during the year. Our expansion has, however, to be in terms of a well defined policy which will take into account the growth prospects of trade in different territories and the type of business that we wish to take on.

Reorganisation

The plan of reorganisation of the administrative structure and customer operations was extended to all offices of the Bank in 1972. Our efforts are now directed at stabilising the new system, so as to derive the substantial advantages that the new design is capable of producing. An important element of the new system is the introduction of performance budgeting to provide a better sense of direction for the operating units and appropriate feedback to policy making levels. Simultaneously, attempts are also being made to rationalise the information structure in order that the system may provide data for purposes of operational control as well as for statistical analysis.

Staff Relations

My thanks are due to the vast majority of our staff for the sense of loyalty and dedication they bring to bear on their duties, despite the numerous distractions of which they are reluctant victims.

The concept of employee participation was given concrete shape last year in the banking industry with the nomination of employee representatives on the Boards of Directors of the nationalised banks. Similar changes are to be effected in the State Bank Act also to provide for such representation on our Board. I feel, however, that, employee participation does not end with the induction of employee representatives in the Boards of Management. True-employee participation means that at every branch employees must share responsibility for formulating the branch objectives and strategies as also their successful execution. This problem bristles with difficulties but must be tackled in earnest by the unions and management.

Last year I mentioned the need for changing the tasks in keeping with the employees' creativity needs. Job enrichment can be effected, perhaps, in several ways. Our experience in the last one year has shown us that an effort at changing individual jobs in a large organisation has its limitations. What is feasible, perhaps, is first to locate the employee groups in a branch, in which each member is performing a job complementary to the jobs performed by other members of the group. Thereafter, an attempt can be made to improve the content of the group task, so that a more direct relationship is established between the work being done and the branch objectives. Experimentation with this approach has started and the results strengthen our desire to launch a more purposive effort in the coming year.

Local Boards

Shri P. Brahmayya, President of the Madras Local Board and Director of the Central Board, and Shri J. B. Dadachanji, Vice-President of the New Delhi Local Board relinquished office during the year. As at the beginning of this year, Shri Vijay M. Merchant, Member, Bombay Local Board, also relinquished office. I thank all the three for their able guidance and direction".

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BINNY LIMITED

Statement of the Chairman, Mr. N. S. Bhat

Following is the Statement of the Chairman, Mr. N. S. Bhat to the Shareholders on the occasion of the 4th Annual General Meeting of the Company held in Madras on 30th March 1973.

Ladies and Gentlemen,

I have great pleasure in extending to you a warm welcome to the Fourth Annual General Meeting of the Company.

The high morale among our Management Staff and all other employees and their determination to work together to lift the Company out of its difficulties has been, and continues to be, our greatest asset and at the outset I would like to pay tribute to them for their hard work. Both Staff and Labour have done excellent work and I am confident that the Company can rely on their continued support.

The Directors' Report and Accounts for the year ended 31st December, 1972 have been circulated in the prescribed manner and, with your permission, I shall take them as read.

I am pleased to be able to report that the Operating Profit for 1972 was Rs. 276 lakhs against a loss of Rs. 86 lakhs for 1971—an improvement of Rs 362 lakhs. The various steps taken from the second half of 1971, as explained by me last year, have made a valuable contribution to the very satisfactory results.

Significant features of the 1972 results in relation to the 1971 results are:—

	1972 Rs. lakhs	1971 Rs. lakhs
Income—improved by Rs. 403 lakhs	5,077	4,674
Operating Profit—improved by Rs. 362 lakhs	276	86 (Loss)
Profit for the year—improved by Rs. 330 lakhs	149	181 (Loss)
Net Operating Profit—improved by Rs. 277 lakhs	94	183 (Loss)

The end of 1972 leaves Rs.107 lakhs as the balance of the loss to be recouped after adjusting the amount available in the General Reserve. If the Operating Profit for 1973 is maintained at the same level as for 1972, 1974 should be free of the burden of past losses. Besides, at the end of 1972 we had Development Rebate Reserve and Debenture Redemption Fund Reserve totalling Rs. 242 lakhs.

I said last year that in financial terms the problem was simply one of revenue falling short of direct manufacturing costs and fixed costs including wages and that the only way to resolve the problem quickly was to reduce manufacturing costs by strict economies, to improve efficiencies and to find cloths which could be produced and sold at economic prices. Much progress in these directions has been achieved during the year.

At the last Annual General Meeting I said that there was reason to expect the results for 1972 to be satisfactory provided all Units worked uninterruptedly and we were not burdened with heavy additional levies. In the event, although the Madras Mills and the Madras Works of the Engineering Division were affected by strikes and the Bangalore Mills suffered from a 25% power cut frow 1st October 1972, we have been able to turn the corner and make significant progress in restoring the Company's fortunes.

There has been an encouraging start to 1973, but over the next nine months many factors could influence our results. The country is beset with serious economic problems such as acute shortage of power, food and other necessities of life, including drinking water in many places and abnormal increase in prices, especially food prices. To add to these problems we will have the additional levies proposed in the Central Budget.

1972 saw the revival of the Textile Industry in general and the Company's textile division in particular. Sale value of cloth production in 1972 in the Madras and Bangalore Mills was higher than in 1971. The main reasons for the higher sale value of production and improved results were (a) a good cotton crop which provided cotton at reasonable prices, (b) improved mill efficiencies, (c) improved pattern of production, and (d) better marketing operations which brought about a substantial reduction in finished inventory. The improved results were achieved notwithstanding the heavy additional burdens which fell on the Company due to (a) increase in fixed costs mainly on account of the increase in statutory minimum bonus, higher dearness allowance and provident fund contributions and liability under the Payment of Gratuity Act, (b) 25 per cent power cut in Bangalore from 1st October 1972, (c) strikes followed by lockouts and (d) loss on revalution of investment in the subsidiary, Giovanola-Binny Limited.

The short term goal which your Board set for itself was to make current operations economically sound and to initiate the cost reduction programme. We succeeded in this respect in 1972. Our medium and long term objectives include re-equipment of the mills to produce economically what the market will want in future. Re-equipment will make significant progress in 1973 while further plans to modernise the mills are under preparation and are expected to be ready during the year.

I expect the progress made in 1972 to be maintained in the current year provided (a) full co-operation by labour and un-interrupted working in all Units are forthcoming, (b) the present power cuts in Tamil Nadu and Mysore States are fully restored at least by June, (c) additional heavy financial burdens do not fall on the Company through legislation, Government executive action or labour demands and (d) no regulatory measures are enforced by Government on production, pricing or distribution.

Cotton

As stated in the Directors' Report, the prices of most varieties of cotton were lower in 1972 than in 1971, but they were higher than the corresponding prices in 1970. Cotton was, however, readily available and the quality was also by and large satisfactory. Indeed, with a record crop of 68 to 70 lakh bales of 180 kgs. in the 1971/1972 season, there was a comfortable carry-over of stocks to the 1972/1973 season.

The estimate of the crop for the 1972/1973 season is in the region of 62 lakh bales including an additional 5 lakh bales of long staple cotton. I am afraid this shows that last year's big crop was not a breakthrough but only an isolated good year. The real breakthrough will be achieved only by an aggressive cotton development programme. However, with adequate carry-over

stocks from the 1971/1972 season, I expect the cotton supply position in 1973 to be reasonably satisfactory, especially with the anticipated lower offtake due to power cuts all over India.

I accept Government's social objective to secure stable and fair prices to the cotton growers, but Government ought not to ignore the interests of the cotton textile consumers at home and abroad. The various State Marketing Organisations should support this objective by selling cotton at prices competitive with the trade. With Government agreeing to subsidise 75 per cent of the losses sustained by the Cotton Corporation of India in its support operations, I hope the selling prices of full pressed bales will in future be competitive. When the textile industry is just recovering from one of the worst periods in its history and is now faced with serious problems of power cuts, cost increases and the lower purchasing power of the community, it is both fair and necessary that the industry should be enabled to get raw material at economic prices. Without such assistance to the industry any programme for rehabilitation, even on a modest scale, while fulfilling the social obligation to export and produce controlled cloth is beyond the capacity of the mills.

The licensing of new polyester plants, some of which are scheduled to go on stream in 1973, should assist in popularising polyester blended fabrics and a shift from cotton to polyester blended fabrics should in turn improve the supply position of cotton. Last year I suggested that the revenue currently derived by Government by excise duty on polyester fibre can be protected and may even be augmented by suitably reducing the burden at the fibre point and spindle point. This suggestion has not found favour with Government and I fear that the Industry and the polyester manufacturers will continue to suffer from this excessive burden. I can only repeat what I said last year that such relief should improve the offtake of the fibre and eventually of the blended fabric resulting in increased revenues from an enlarged source.

There is also good export potential for polyester blended fabrics provided Government evolve a workable scheme by which polyester is made available at international prices. The current prices, which are three times higher than the international prices, are unworkable for export business.

The increase in Excise Duty on wool blended yarn during 1972 was unprecedented. The duty on yarn used for Cotswol increased by 344 per cent and in the case of Angola supplied to the Defence Forces, the duty on yarn increased by 493 per cent. Such an increase in yarn duty together with the very steep rise in the price of wool in Australia—to the extent of over 300 per cent—will be another problem which the Bangalore Mills will have to tackle in 1973.

The acute shortage in yarn supply to the decentralised sector of the industry employing 75 lakhs of people has been engaging the attention of Government. This is a serious human problem which has been caused by severe power cuts, particularly in Tamil Nadu where about 33 per cent of free yarn production capacity is located. The Spinning Sector of the industry in Tamil Nadu, realising the gravity of the problem, came forward to co-operate with the State Government by offering its entire yarn production to Government for distribution provided fair prices were fixed and adequate arrangements were made to lift the stocks. The Central Government have since announced a statutory scheme to enforce controls over production pattern, prices and distri bution of yarn in order to help the handloom and powerloom industry.

I know Government appreciate the co-operation extended by the cotton mill industry in fulfilling various social objectives. However, it may not always be realised that while the weaker section of the industry should be helped by the relatively stronger section, any measure aimed at social justice should not result in weakening the stronger section. In attempting to help 75 lakhs of people in the decentralised sector of the industry the interests of 8 to 9 lakhs workers employed in the mill sector should not be ignored. If they are frustrated by any measure which they feel is hard on them the very source of help to the decentralised sector may dry up. This is the danger we must guard against.

Textile Division

Substantial improvements have been made to various departments in the two mills, partly by overhauling and partly by re-equipment. Special attention was paid to the overhaul of Blowroom machinery, to the reclothing of cards and a number of ring frames were converted to the Top Arm Drafting system.

Offtake of our fabrics generally improved during 1972, although during the second half cloth sales were affected by severe drought and scarcity conditions in various parts of India. I am proud to report that at a time when Government are so anxious to hold the price line your Company has been able to do so most successfully by the operation of its 30 year old scheme of selling at retail points at prices not higher than those recommended by the Company.

In 1972 we decided to strengthen our representation and distribution arrangements in the markets by opening Regional Sales Offices in Delhi and Bombay and by strengthening our existing Sales Office in Calcutta. We expect these measures to take effect by the middle of this year. The object of these Regional Sales Offices is to supplement and strengthen our existing marketing channels and not to replace them.

Since textile marketing is becoming highly competitive it is necessary to have adequate feedback from the market. We have, therefore, started a Marketing Research Cell, and Advisory Panels consisting of wholesalers and retailers have been set up on a zonal basis. I expect these advisory panels to give us timely and useful information on market trends, tastes and fashions.

In 1972 special attention was paid to advertising to create an up-to-date image of Binny which in the past was believed to be a conservative men's mill. Reactions to our campaign in 1972 were encouraging and it is our intention to continue this year a well planned aggressive advertisement campaign highlighting the variety, quality and value for money of our products for men, women and children.

During the year we have maintained cordial relations with our vast distribution network and I would like to take this opportunity sincerely to thank the Guarantors, Wholesalers, Retailers and Exclusive Shopowners, whom I regard as members of the Binny family, for their untiring efforts and co-operation. I look forward to their continued support in 1973 and the years thereafter.

Exports

Exports in 1972 amounting to Rs. 1.83 crores were a valuable contribution to the country's export performance.

We fully subscribe to Government's policy to increase exports and have taken steps further to increase our exports in 1973 and fulfil our obligation.

Last year I suggested that if Government are dissatisfied with the industry's performance, they could set up their own export house and supplement the efforts of the industry, but should not canalise the export of textiles, so that the country does not lose the benefit of the substantial volume of exports which the industry itself achieves. It is now admitted by Government that the industry's export performance in 1972 has been exceptionally good. In view of this I would fully support the request made by the Indian Cotton Mills Federation to Government to hold in abeyance the setting up of the National Textile Export Corporation.

Controlled Cloth

The unprecedented power cut in Tamil Nadu at 75 per cent and a 25 per cent power cut in the Mysore State have

placed severe constraints on production. Nevertheless, we will endeavour to manufacture controlled cloth to the maximum extent to fulfil our obligation, but I would like you to appreciate that the prices for controlled cloth were fixed five years ago in 1968. I am not aware of any commodity, not even foodgrains, which is sold today to the consumer at 1968 prices. I cannot understand why the textile mill industry has been singled out for this treatment.

Modernisation

The need for making special arrangements for the modernisation of the cotton mill industry has been brought to the notice of the Government of India on a number of occasions. The scheme under which the Industrial Finance Corporation will provide long term loans to the extent of Rs. 5 crores to units which have an export performance of over 15 per cent is, apart from being restrictive, insufficient to touch even the fringe of the problem.

During the past 10 years revolutionary advances have been made in spinning, weaving and processing machinery. It would be a shortsighted policy to allow the Indian cotton mill industry to lose the benefits of these technological advancements. The condition of the Indian cotton mill industry today, in the light of the technological advances that have taken place in machinery and processing methods in many other countries, is very distressing. Lack of finance is the main reason for the industry's present condition. It is not denied that it is beyond the capacity of the industry to generate internally Rs. 630 crores required to modernise all the mills over a period of seven years. On account of the technological gap between the textile mills in India and the mills in the developed countries, the Indian mills suffer from a serious handicap in regard to export.

The country cannot afford to let the industry languish in this condition if the targets set for exports as well as for supply of controlled yarn and cloth are to be met continuously and the industry is to make reasonable profits to fulfil the expectations of the employees and investors and meet its obligation to the consumers while generating sufficient revenues to Government.

The need to make special arrangements for financing the modernisation of the cotton mill industry in the form of long term loans and on more liberal terms and conditions is urgent. In October 1972 the Indian Cotton Mills Federation submitted to the Government of India a scheme to establish a separate institution exclusively to provide term loans to the cotton mill industry specifically for modernisation. It was suggested that the Cotton Textile Modernisation Corporation should promote a planned programme of modernisation spread over a number of years. We have not so far heard Government's reactions to this scheme. Fiscal concessions for modernisation of the textile industry are common even in developed countries where the industry is already ahead of us in technology. I trust Government will favourably consider the scheme submitted by the Indian Cotton Mills Federation and strengthen the industry which occupies an important place on the industrial map of our country.

Garment Factory

The Garment Factory's working in 1972 was very disappointing. Steps have been taken to improve the order book in order to fulfil the export obligation accepted by the Company at the time the Garment Factory was set up. We are concentrating on securing bulk export orders for simple garments for which the Factory is ideally equipped.

Stocks of unsold garments and surplus stores have been reduced considerably during the year. I expect the working of this unit to improve this year.

Engineering Division

Madras Works

The Directors' Report gives a review of the operations of this Unit in 1972.

Production during the year was severely affected by 'go-slow' and a sit down strike which obliged the Company to declare a lock-out for two months in September and October 1972. Notwithstanding the loss of wages by the workers and loss of production for two months on account of the strike followed by a lock-out, wages and other cash emoluments in this Unit increased by about Rs 4 lakhs from the previous year highlighting the escalation of wages without any increase in productivity.

The power cut at 75 per cent from 15th February, 1973 will seriously affect the working of this Unit. This is a serious blow to the employees as well. Shortage of steel continues to be a problem. If Government's forecast of record steel production materialises the steel supply position should improve. However, these forecasts are always subject to various constraints.

Subsidiary—Giovanola-Binny Ltd.

The Directors' Report sets out the circumstances in which your Board considered it prudent to sell the Company's holding in the subsidiary. The sale price for the shares has been fully realised and the finances of the Company locked up in the subsidiary are expected to be repaid in the near future. Taking an overall view of the subsidiary and the Company's involvement in it, I am sure you will agree that our decision to disinvest was fully justified. The Company's association with the subsidiary since its inception will therefore come to an end shortly, but I would like to assure you that we have taken care to protect not only the interest of the Company but also of the staff of the subsidiary.

Trading and Agency Division

The Directors' Report provides a review of the operations of this Division which has made a valuable contribution to the profits of the Company.

As stated in the Directors' Report the results of the Steamer Department, Stevedoring Department, Clearing & Forwarding Department at Madras and the Madura Unit at Cochin were disappointing. However, the prospects of the Madura Unit for 1973 are promising although the Madras Steamer Department does not show promise for the future as we are unlikely to have sufficient number of agency vessels calling at Madras to ensure its economic working. Furthermore, P. & O's Passenger Ship 'RAJULA' operating between Madras and Singapore, which makes a valuable contribution to the Department's results, is scheduled to be withdrawn from service during the first half of 1974 and it is under stood that this vessel will not be replaced. In such an event there will be no business for the Nagapattinam Branch and the size of the Madras Steamer Department will have to be reduced substantially.

Labour

I am happy to say that industrial relations during the year were generally satisfactory, except that in the Madras Mills and the Madras Engineering Works we had strikes and consequential lock-outs which caused a loss of profit of about Rs 50 lakhs. When the Company was recovering from the adverse results of the previous two years a loss of this magnitude, which was entirely avoidable, came as a severe blow much to our distress. By losing wages for the period of the strike and lock-out labour gained hardly anything. As an optimist I can only hope that labour will realise the futility of such strikes and refrain from resorting to them in future, bearing in mind that the Company has still a long way to go fully to recover from the impact of the adverse results of 1970 and 1971. While claiming a share in the prosperity of the Company as a partner, labour should accept its responsibility to play its part in creating prosperity by maintaining and even improving the tempo of production. This I regard as a national obligation, especially in the present difficult period.

The wage burden of the Company when compared with other textiles manufacturing companies is very heavy and is a serious handicap. During

the year rationalisation settlements in respect of all production departments in the Bangalore Mills were reached with the recognised Union, but we have not been able to advance a great deal in the Madras Mills or the Engineering Works. I hope the negotiations which are in progress will soon lead to settlements so that the inflationary increases in wages may be absorbed by fuller utilisation of existing machine capacity without additional labour costs. It is relevant to mention in this context that the Company's total wage bill, including Provident Fund contribution, increased from 1971 to 1972 by approximately Rs 84 lakhs mainly due to higher dearness allowance and higher statutory minimum bonus which have no relation to output or profit.

Despite the 75 per cent power cut in Tamil Nadu we managed to avoid any lay-off in the Madras Mills till 12th March 1973 by operating our Power House to full capacity under severe strain. Unfortunately this strain necessitated certain repairs to two of our boilers and we have been obliged to stop them by turn for about two weeks each to carry out the repairs. As a result we have been compelled to lay-off workers in various departments by rotation for one day each week. As soon as the boilers are repaired normal work will be resumed. The Mills will lose about 16⅔ per cent production during the period the boilers are under repair. Workmen in the Bangalore Mills and the Madras Engineering Works had to be laid off partially due to power cuts. We have now purchased two small generating sets each for the Bangalore Mills and the Engineering Works at Madras. When these sets are installed the Engineering Works, excluding the Electric Furnace, will be able to revert to normal work. In the Bangalore Mills lay-off on a reduced scale will have to continue until normal power supply is resumed. I can only hope that the power cuts will not last beyond June 1973.

We have applied for licences to import generating sets for Madras and Bangalore, but so far we have not succeeded in getting the import licences. I hope Government will not further delay the issue of these licences especially in view of the genuine apprehension that the Nation may have to live with power cuts every year for some more years.

With the experience of this year's power cuts all over India, I hope Government will give top priority to long term planning for power generation to meet the Country's growing demand and think of private sector participation in power generation.

Central Budget 1973

The budget presented to the Lok Sabha on 28th February, 1973 has caused deep concern to the textile industry which is expected to generate an additional revenue of Rs. 3.65 crores to Government.

For the textile industry the most disturbing proposal is the steep increase in customs duty on cotton to 40 per cent ad valorem, which is over 1000 per cent increase on the existing duties. The proposed duty would increase the cost of Sudanese cotton from Rs. 3,728 to Rs. 4,686 per Bombay candy of 784 lbs. and the cost of Egyptian cotton will increase from Rs. 4,553 to Rs. 5,823 per candy. I am doubtful whether the industry will be able to buy cotton at these prices. For a whole year the additional duty would involve the two mills of your Company in an additional expenditure of approximately Rs. 55 lakhs.

In proposing to increase the customs duty on cotton Government seem to have overlooked certain important aspects of the current arrangements in the industry to finance textile exports and the probable repercussions of this proposal on exports. Cloth produced from imported cotton is not mainly a luxury fabric for the use of affluent people. Almost two-thirds of the yarn produced from imported cotton goes to handlooms and powerlooms. The enhanced duty will therefore affect the handloom and powerloom sector. Representations in this regard have been made to Government by the industry and I hope Government will realistically review the proposal before the Finance Bill 1973 is passed by the Parliament.

Finance Division

Financial Information

The significant improvement in the working results provided the much needed relief to the Company's finances which were under severe strain during the previous two years. We took advantage of this opportunity to improve the raw material stocks in the Textile Division which were at dangerously low levels in 1971. We were also able to settle the short term loans and continue to meet the obligations in regards to fixed deposits despite the withdrawals being higher than the receipts.

With profits as envisaged, the Company's financial position should improve substantially during 1973 and 1974 since profits of these two years should largely be free of the corporate tax burden. It would, however. be prudent to bear in mind the Company's obligations in regard to the Medium Term Loans and Debenture Redemption Fund and appreciate that financial resources will have to be conserved to meet these long term obligations as they arise.

Dividends

As there is a residual loss of Rs 107 lakhs carried to 1973, your Directors have not found it possible to recommend any dividend for the year.

We are grateful to all the shareholders for bearing with us for three years without any dividend. As of today I can only say that we have seen daylight and can look forward hopefully to prosperous days ahead.

Future Outlook

We have withstood the pressures of 1970 and 1971 and I see no reason why we should not go forward, especially with the experience we have gained in working in a difficult period.

As we now stand on the threshold of a new era of consolidation and forward march, we must resolve that this era will not be what the immediate past has been—a time of uncertainty and danger. I do not promise to find solutions to each and every problem that may crop up in future, but on behalf of my colleagues and management staff I assure you full realisation of what needs to be done. As guardians of your investment we accept our responsibility for the sustained profitability of the Company, the safety of its assets and for its reputation. We must recover the lost ground and ensure a consistent and fair return to the investors, stability of employment for our employees on fair remuneration, supply of quality products to our customers at fair prices and fulfilment of our social obligations to the country. The stage is set for this take off and we need your support. I am confident our efforts will not go unrewarded.

Directorate

Mr S.A. Kher was appointed as Additional Director after the last Annual General Meeting. His appointment will come up for your approval at this Meeting. Mr Kher is well known in industrial circles and needs no introduction to you.

Acknowledgements

I am happy to acknowledge the unfailing help we received from our customers, suppliers, the Company's Bankers, Financial Institutions and Government. I know I can rely on their support in future. The State Bank of India in particular gave us a measure of support without which the Company would have found it difficult to withstand the demands upon its liquid resources.

In conclusion I would express my deep appreciation of the help and advice I received from all my colleagues on the Board throughout the year and I am grateful to them. I feel it is my duty specially to acknowledge here the unstinted help and support I received from my Executive Colleagues and record my appreciation of the results they have produced.

Note : *This does not purport to be a report of the proceedings of the Genral Meeting.*

RECORDS AND STATISTICS

Economic development and social welfare

IN A background paper entitled "Economic Development and Social Welfare" specially prepared for discussion at the 46th annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI) from March 31 to April 2, it was shown that the economy had a number of gaps and shortcomings despite substantial progress in infrastructure, agriculture, industry, social services and foreign trade since Independence. The paper emphasised the fact that the canalisation of products through state organisations had not yielded any worthwhile results. It was therefore recommended that in future such canalisation should not be undertaken indiscriminately.

Full text of the background paper is given below:-

Economic development was a priority task to which the nation addressed itself after Independence. In the past 25 years, India has achieved substantial progress in infrastructure, agriculture industry, social services, exports and research. The economic fibre of the nation has been strengthened which enabled it to withstand four Wars and six droughts in the past two-and-a-half decades. Nevertheless there are many gaps and shortcomings.

—Our national income last year was nearly 2½ times that in 1948-49 (at constant prices); yet a large section of the people, nearly 40 per cent, is below the poverty line.

—Our foodgrains production has more than doubled; however, we continue to be the victims of erratic monsoons.

—Organised industry employs twice as many workers and produces more than thrice as much output; even so, the growth rate is too meagre in relation to our needs and requirements.

—Installed capacity for electricity generation increased from 1.4 million KW to 17.4 million KW; but we are now caught in a prolonged power crisis.

—80 per cent of the children go to school and the expectation of life is around 55 years; nevertheless, the opportunities for gainful employment are woefully inadequate.

—We exported Rs. 1605 crores worth of goods in 1971-72, more than three-and-a-half times those in 1948-49, and there has been also a shift from traditional to non-traditional items; at the same time, our share in world trade declined from 2.4 per cent to 0.6 per cent.

—The number of scientists in India today is about the same as in France; still we do not have the requisite facilities and organisation to support R&D.

The basic issue is one of poverty. It was assumed when the planning process was started in 1951 that development forces will themselves lift the under-privileged sections of society from the morass of poverty. Whether this assumption was correct or not is, even in retrospect, difficult to judge. For, the anticipated growth targets were hardly ever achieved. Had they been, the picture today would have been entirely different.

Anyhow, the question remains: how to speed up economic development so as to promote social welfare? What is important is the result. What is pertinent is which policies can achieve that result most expeditiously. When the purpose of policy is looked at from this angle, reformulation becomes quite easy.

Development will have to be intensified and its content altered. Both have to be mutually reinforcing. This can be brought about only when there is cooperation and understanding among different participants in development. Each must spontaneously respond to the economic ethos and social compulsions.

This is the challenge to the nation. What are the responsibilities of Government, Business, Labour and other Organised Sections in the phenomenal effort that the country has to make?

Parameters of Development Strategy

A country has to evolve its own pattern of progress. The circumstances in India point to a mixed economy as the natural answer. Such an eco-

TABLE I

Agricultural Production

		1969-70	1970-71	1971-72
Foodgrains	Million Tonnes	99.5	108.4	104.7
Raw Cotton	Million Bales	6.1	5.7	7.4
Raw Jute	Million Bales	5.7	4.9	5.7
Major Oilseeds	Million Tonnes	7.7	9.3	8.3
Sugarcane (in terms of gur)	Million Tonnes	13.8	13.0	11.7
All Commodities (Index) 1949-50=100		170.8	182.2	179.1

TABLE II

Industrial Production

(1960=100)

	1969	1970	1971	Jan.—July 1971	Jan.—July 1972
(*i*) Basic Industries	212	222	234		
(*ii*) Capital Goods Industries	214	225	224		
(*ii*) Intermediate Goods Industries	154	159	160		
(*v*) Consumer Goods Industries	145	155	160		
General Index	172	181	186	184	197

nomy combines skills, enterprise and resources of the public and private sectors. In the past two decades of planning, about Rs. 41,000 crores have been invested, 60 per cent by the public and 40 per cent by the private sector. Public investment has been primarily in infrastructure, both economic and social. Industry—small, medium and large—construction, agriculture, etc. have been the principal areas which have attracted private investment. This complementarity between the two sectors imparts resilience to the economy, maintains competition, which is essential for efficiency, and creates the basis for development priorities.

The Approach to the Fifth Plan has put emphasis on employment generating programmes like minor irrigation, soil conservation, area development, dairying, animal husbandry, fisheries, forestry, warehousing, small scale industries, etc. All these projects will have to be mainly located in rural areas to provide new or supplementary job opportunities particularly to agricultural labour. The schemes selected for creating additional jobs must also be such as would make commensurate impact on productivity. Therefore, a proper administrative machinery will have to be devised to make the programmes economically viable. Preferably, a separate agency which may be called District Development Authority may be set up, one for each district, to plan, implement and supervise these programmes.

Industry also provides considerable opportunities for employment both at the construction stage as well as at the operational stage. The development of industry will have to be in high key for other reasons also. Firstly, adequate consumer goods have to be produced; secondly, the economy must be made progressively self-reliant. Hence, consumer goods industries like textiles, sugar, vanaspati, cement, etc. will have to have high precedence. Core indus-

For the guidance of
CONSUMERS

RESTRICTIVE TRADE PRACTICES

allocation of areas or markets

Allocation of areas or markets by producers and manufacturers has the effect of limiting competition and increasing the burden on the consumer. This is prohibited by Section 33(1)(g) of the Monopolies and Restrictive Trade Practices Act.

If you find that a few manufacturers gang together and divide the country into territories which they can exploit, the agreement can be called in question.

Similarly if a few manufacturers come together and decide to control the output of any item of consumption, the arrangement can be called in question under the above mentioned section.

If you come across any such restrictive trade practice, you are invited to bring the facts and the evidence to the notice of the Registrar of Restrictive Trade Agreements, Post Box 424, New Delhi for taking necessary action against the parties to such agreements or arrangements.

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davp 72/708

tries and infrastructure facilities like electricity will have to be developed to support the growth of other sectors. Export industries, particularly engineering and chemicals, which are the potential foreign exchange earners, and import substitution industries like machine building intermediate goods, etc. will have to be strengthened. While the techniques of production have to be economic, foreign technologies have to be properly adapted to our requirements. Research and re-designing, therefore, become absolutely essential.

Once the final objectives are clearly set out and the **inter se** priorities firmly adopted, the different sectors have to grow in balance. Such balance can be ensured if the regulatory mechanism allows reasonable freedom for initiative and innovation. In this context, the present policies appear a little too negative regulations somewhat rigid and procedures excessively time-consuming. This obstacle to growth has to be removed.

Development process will be weakened—even jeopardised—if prices are not held under control. In the past one year prices have risen, on an average, by 1 per cent per month. A rise in prices redistributes income in an unplanned manner, affects savings adversely, weakens export promotion and leads to wage increases. What is more, it creates economic tensions which disturb social harmony.

A rise in prices generally reflects a situation in which money supply outpaces the availability of goods. Mere control of prices, either through regulation or rationing can hardly be a solution to a fundamental economic imbalance. What is called for is maximisation of production and control of money supply through check on deficit financing.

Infrastructure

Economic progress, to a large extent, is at once conditioned and stimulateed by the availability of infra-structure facilities. These include economic and social overheads and administration. The manner in which a shortfall or deterioration in these facilities can affect economic growth is illustrated by the recent power crisis.

The shortage of power and cuts in supply in various States have affected irrigation, limited the hours of working of industries and has resulted in reduced output and employment. Unfortunately, not sufficient attention has been given to resolve the problem.

Many of the thermal plants are not able to operate at full capacity due to inadequacy of supply of coal. The railways have a special responsibility for moving coal from pitheads to centres of power generation. Industry must be allowed to set up generating plants for their own use. To facilitate such installation Government must allow development rebate or any other similar incentive and such generation of power should be free from levies of any kind. It would be economical if industrial undertakings are allowed to generate power as a bye-product by installing back-pressure-turbines which are available at comparatively lower cost. While the indigenous manufacturing capacity for power generation equipment should be fully utilised, import should be allowed as a stop-gap arrangement.

Maintenance of power generating equipment which has been extremely poor needs immediate attention. A task force consisting of best maintenance engineers should be given the specific responsibility of visiting important stations and take measures for maintenance on the spot.

There is considerable transmission loss ranging upto 18 per cent which reduces availability by 3 to 4 million KW. Even 1 per cent reduction in transmission loss would mean a saving of Rs. 5 crores a year. Therefore, every effort should be made to ensure that the tranmission loss is minimised. Fluctuations in voltage have to be corrected at source. The regional boards should keep close watch on the progress of projects so that timely help can be rendered to each other in emergency. Steps to establish regional and national grids have also to be expedited.

Power planning is an essential aspect of national development. Forecasting of demand and estimation of generating capacity of projects must be made on a scientific basis and advance measures taken to meet possible shorttages. Power planning must be done for a longer period than the conventional five-year term. There must be simultaneous forward coordinated planning by the different concerned authorities such as Electricity Boards, Central Water and Power Commission, Technical Advisory Committee, Planning Commission, Coal Board, indigenous manufacturers of equipment and Government. Also, investigations should be made to assess the posssibility of using alternative fuels.

There is acute shortage of transport, particularly rail. Adequate railway wagons are not available for moving bulk commodities. The difficulties have been seriously felt in Gujarat, Rajasthan, Madhya Pradesh, etc. Besides, there are frequent interruptions in

TABLE III

Investment : Private Non-Financial Corporate Sector (Current Prices).

(Rs crores)

	Liabilities				Assets		
	1969-70	1970-71	1971-72		1969-70	1970-71	1971-72
1. Capital raised (including debentures and excluding intra-sector flows)	71	70	62	Bank deposits and cash	25	42	48
2. Retained profits	104	174	186	Gross fixed assets and inventories	848	863	893
3. Borrowing from banks	335	240	220				
4. Loans from term-lending institutions	33	41	43				
5. Depreciation reserves	330	380	430				
	873	905	941		873	905	941

allocations and bookings are stopped without sufficient notice. The freight structure is pushed up every year unthe selection of industries der one guise or another. It is most essential that railways acquire additional wagons, improve operational efficiency and use existing equipment more fully to meet the situation.

Nearly a quarter of the goods traffic is carried by trucks. This traffic is also labour intensive. For example, a truck provides empoyment to 11 persons and every crore of rupees invested in roads yields 12,000 jobs. Therefore, bottlenecks in the smooth development of road traffic should be removed. There should be only one authority for imposing and collecting taxes on road transport vehicles. Check-posts, octroi and restrictions on issue of inter-State permits should be removed. The Inter-State Transport Commission should be strengthened to achieve these objectives.

Development has been made subject to administrative consent. The whole of the public sector investment and the bulk of the private sector investment require Government decisions or approval. However, the delays involved in the processing of development proposals have been an intolerable drag on the economy. The administrative methods and procedures which are hopelessly out of date have to be made more scientific and properly streamlined. Government have to fix specific time limits for different kinds of decisions, permissions or approvals that are necessary. Efficiency of officials has to be judged by this criterion.

Production and Productivity

Foodgrains production reached a peak of 108.4 million tonnes in 1970-71, and thereafter has shown consistent decline, partly due to erratic monsoons and partly due to the setback to the spread of green revolution. Excepting cotton, production of other cash crops has hardly increased.

It is welcome that Government undertook a number of crash programmes after the kharif failure in 1972-73. The outlook today is definitely better and, together with the import of 2 million tonnes of foodgrains, the supply position will be more or less comfortable. But hardly any buffer stock would be at hand.

It would be wrong to be complacent about the growth of agricultural output. Conscious effort will have to be made to improve productivity, promote a balanced structure of prices and achieve a desired crop pattern.

The implementation of irrigation programmes has to be speeded up. Grandiose projects which will fructify only over a long period can hardly be of use. Local potentialities have to be explored more fully. The work involved will also provide considerable employment along with other schemes like soil conservation. The small farmer has to be introduced to the use of high-yielding varieties of seeds; so also, to the use of fertilisers, pesticides, etc. on a larger scale.

These programmes are no doubt being thought of. But the implementation has been slow to meet the challenge. The Planning Commission seems to have under-estimated both the needs as well as the potentialities. In the Fifth Plan foodgrains production has to increase by at least 5 per cent per year.

Industrial growth has slackened steadily after 1969. In the first half of 1972 it picked up mainly because of the bumper cotton crop and larger imports of steel. But the severe shortage of power and consequent cuts in supply will have drastically affected industrial production in the latter half of 1972 and early 1973. Industrial investment also seems to be stagnant. Net investment, including inventories, in the private corporate sector declined from Rs. 518 crores in 1969-70 to Rs. 463 crores in 1971-72.

The first step towards industrial development is to secure full utilisation of existing capacity. The procedural and other impediments in this regard should be identified and removed. Priority industries like consumer goods industries producing necessities of life, import substitution industries, export industries and core industries should be provided with all facilities for modernisation, expansion and investment to ensure timely and effective implementation.

There has to be a propitious investment climate. Unfortunately, the recent spate of take-over of management and nationalisation, almost

TABLE IV

Savings and Investment

(% of NDP at market prices)

	1969-70	1970-71	1971-72
Net Domestic Saving	8.6	9.4	10.0
Aggregate Net Investment	9.3	10.5	11.5

TABLE V

Finances of Government

(Rs crores)

	1969-70	1970-71	1971-72 (RE)	1972-73 (BE)
I. **Total Outlay**	7375	8352	10175	10205
(*a*) Development	4166	4716	5746	5981
(*i*) Plan	2135	2432	2985	3676
(*ii*) Non-Plan	2031	2284	2761	2305
(*b*) Non-Development	3209	3636	4429	4224
II. **Current Revenue**	5533	6064	7036	8001
(*a*) Tax Revenue	4200	4752	5552	6316
(*b*) Non-Tax Revenue	1333	1312	1484	1685
III. **Capital Receipts** (net)	1799	1864	2499	1911
(*a*) Internal (net)	1225	1482	1877	1521
(*b*) External (net)	574	382	622	390
IV. **Overall Budgetary Deficit**	43	424	640	293

TABLE VI

Composition of Tax Revenue (Centre, States and Union Territories)

(Rs crores)

	1969-70	1970-71	1971-72 (RE)	1971-72 (BE)
1. Income & Corporation Tax	802	844	985	1076
2. Customs	423	524	562	720
3. Union Excise Duties	1524	1759	2103	2465
4. Sales Tax	684	786	864	965
5. Others	767	839	948	1090
Total	4200	4752	5552	6316

t random, has raised serious oubts in the minds of the ublic as to whether invest- ient in industry will be sub- ect to more than the ordina- y commercial risk. There- ore, it would be desirable hat Government clearly de- ine and adhere to their po- icies on a relatively long- erm basis.

Industrial regulation has lowed down the pace of ex- pansion and new investment. Perhaps the same regulation or purpose can be served if development of industry is made conditional to give criteria and guidelines. In- vestment by an entrepreneur other than a large house should be freely allowed if it does not involve considera- ble foreign exchange or is reserved for small scale sec- tor. Investment by a large house should be freely al- lowed if it is in respect of core industries, industries lo- cated in backward regions, export oriented industries, import substitution industries or industries set up with pro- cesses and designs indige- nously developed. Similarly there should be no restric- tion on investment in the joint sector. Such guide- lines can be evolved in the case of foreign collaboration and even imports.

Development of industry places special responsibility on the private sector in the context of the national ob- jectives. Entrepreneurs will have to be more careful in and the choice of technology. Labour intensive industries, as come to be recog- nized in developed countries, have a special place in our economy, particularly be- cause export of such goods is possible. Research has to be underatken to adapt for- eign technology to Indian conditions, to duplicate im- ported technology and in- vent new methods of produc- tion. Import substitution is another major area where sustained effort is called for.

Business and industry are no longer confined merely to production and distribution of goods. They have to im- bibe the social ethos and respond to the social compul- sions. This means that busi- ness and industry have to exercise self-restraint in pe- riods of scarcity, fashion the development in a manner that would benefit the under- privileged sections of society and promote devlopment of backward areas. Besides, business and industry have to look upon themseives as agencies involved directly in social betterment. Environ- mental pollution has to be avoided or corrected. Invest- ment in social infrastructure like schools, hospitals, family planning clinics, etc. has to be enlarged.

Organised labour has yet to reveal its full concern and endeavour towards national welfare. When the large masses of people are below the poverty line and every means of providing them with a better standard of liv- ing through accelerated growth have to be used, we still witness go-slow, strikes and other concerted action which obstruct the economy from achieving its full poten- tial. It is unfortunate that even in periods of crisis like power shortage, labour has tended to agitate rather than cooperate. No doubt, every section of society is eligible to protect and promote its rights. But the effort must be in harmony with the over- all requirements of economic welfare.

Distribution and Marketing

The goals of policy imply not only producing more but also reaching the goods to the consumer efficiently and cheaply. The system of dis- tribution and marketing is of particular significance in respect of essential commo- dities like foodgrains, sugar vanaspati, textiles and ce- ment. Most of these com- modities are largely subject to seasonal fluctuation be- cause of their agricultural base. Hence, regularity in dis- tribution can be ensured only if adequate buffer stocks are maintained.

The present channels of distribution have been evolv- ed in response to historical compulsions and are an en- dogenous part of our natio- nal economy. They have achieved an efficient functio- nal hierarchy, are cheap, and render service to the consu- mer. Whenever there have been shortages in production, and, therefore, disruption in distribution, Government have taken measures to in- terfere directly in the distri- butive mechanism. Recently, the State Governments have been advised to takeover wholesale trade in wheat and rice. The measure, it is in- dicated, may have to be re- inforced by statutory ration- ing.

The financial burden of such a step on Government would be over Rs. 2,100 crores. These funds which should have been normally available for development would be locked up in inven- tories. Service to consumers will deteriorate, cost of dis- tribution, as limited experi- ence has shown, will rise, malpractices will be rampant, unemployment will increase and the interest of even the producers will be seriously affected. Drastic steps like these for solving temporary problems are undoubtedly misplaced.

This does not mean that the present distribution sys- tem is flawless. The greatest handicap is that it has not been sufficiently effective in periods of scarcity. Therefore, some machinery will have to be devised to plan, coordinate and distribute supplies and hold prices when shortages emerge. This responsibility can be entrusted to regional and central joint committees composed of representatives of Government, producers and wholesalers, one for each major essential commodity. Trade and industry will be able through these commit- tees to augment production, promote equitable distribu- tion and maintain prices and thus fulfil both econo- mic functions and social ob- ligations in the best manner.

The attainment of the ob- jective of self-reliance also necessitates that the country has to export on a much larger scale. No doubt, ex- ports have increased quite substantially in recent years and the targets set out in the Fourth Plan may be more

TABLE VII

Money Supply with the Public

(Rs crores)

	1969-70	1970-71	1971-72	Dec. 29 1972
Currency with the Public	4010	4383	4822	4957
Deposit Money with the Public	2376	2757	3316	3613
Total	6386	7140	8138	8570

TABLE VIII

Business of Scheduled Commercial Banks

(Rs crores)

	End March			December 29, 1972
	1969-70	1970-71	1971-72	
Aggregate Deposits	5028.2	5906.2	7105.9	8145.6
Bank Credit	3971.0	4683.8	5263.4	5398.1
Investments in Government Securities	1166.8	1362.3	1650.3	2150.8

or less achieved. However, the possible reduction in aid, the increase in external debt service charges and the compulsions of larger imports will make it necessary to promote exports on an extended scale. Negotiations are under way for concluding a Commercial Cooperative Agreement by India with European Economic Community. If this Agreement is concluded the dimensions of trade will be undoubtedly widened. But ultimately the growth of exports will depend on our capacity to compete in international markets. Our export houses have to make a special endeavour to explore new markets and new export products, build abiding commercial contacts with foreign buyers, undertake aggressive salesmanship through persuasive advertising and after sales service, maintain prompt delivery schedules, ensure quality of goods, use attractive packing, etc. It is these services and efforts which will govern our export capacity.

The canalisation of products through State organisations has not yielded any worthwhile results. Exports have been affected; and imports dislocated and made more expensive. Therefore, in future, such canalisation should not be undertaken indiscriminately. A proper cost-benefit analysis should be made to assess the net impact. This is true of other measures of nationalisation also.

Finance for Development

In the Fifth Plan a total outlay of Rs. 51,166 crores is anticipated. It is pointed out that the implementation of this outlay will involve raising the rate of domestic savings from 12.9 per cent in 1973-74 to 16.6 per cent in 1978-79. Probably, the rate of savings in 1973-74 has been over-estimated which means that if the outlay has to be undertaken the rate of savings in 1978-79 will have to be even higher. What is significant is that savings generation in the Fifth Plan will have to be stepped up considerably. This will not come about automatically. Specific fiscal and monetary policies will have to be adopted.

The Plan points out that about one-third of the additional resources in the hands of Government will have to be set aside for financing the Plan. Past experience is entirely different. As the Economic Survey points out, the percentage of net public saving to net disposable income of the public sector declined from 21.6 per cent in 1965-66 to 9.5 per cent in 1970-71. The step up in public sector savings will be possible only if Government consciously and carefully restrain non-development expenditure. It is absolutely essential that the efficiency of public sector enterprises is improved and they are able to earn a commercial rate of return.

Corporate sector has great potentialities for savings formation. However, the high rate of taxation prevents companies from ploughing back adequate profits for expansion and new investment. To stimulate corporate savings it is necessary that the total burden of corporate taxation is brought down to a uniform level of 50 per cent for all categories of companies and that inter-corporate dividends are not subject to taxation in the hands of the recipient company. The Finance Minister has indicated that development rebate will be replaced by 20 per cent initial depreciation allowance after 31st May 1974. The incentive is too weak to make up for the dynamic impact of development rebate.

The bulk of the savings emerge in the house-hold sector. But the rise in prices and redistribution of income have weakened both the capacity and the willingness to save. Taxation policy should have been, therefore, specifically aimed at giving preferential treatment to savings formation.. It is necessary that the maximum marginal rate of taxation is brought down to 75 per cent as suggested by the Wanchoo Committee and savings made in specified forms like Government securities, small savings, bank deposits, industrial scrips or productive assets like machinery, land, etc. are allowed deduction in computing taxable income. The Budget for 1973-74 makes only a half-hearted attempt in that direction.

Monetary policy and fiscal operations will have to be shaped in a manner that would ensure stability of prices. Money supply should be allowed to expand only to the extent of the legitimate requirements of the economy and for this reason deficit financing (i.e. net borrowings by Government from the banking system) should not exceed the appropriate economic level. What is also important, the earnings of labour have to keep pace with the rise in productivity. At the same time, Government should ensure that there is no additional tax burden, by way of excise duties or sales tax, on wage goods which form a component of the cost of living.

Fiscal policy can also be geared to generation of larger employment and development of backward areas. One important incentive would be giving additional deduction to wage bill for the purpose of computing taxable income. The Budget for 1973-74 provides for some incentives to backward area development. These can be strengthened if enterprises are allowed to set apart a percentage of profits, free of tax, for investment within a specified period of time in backward areas. This reserve can be subject to taxation if it is not utilised in accordance with the objectives for which it is created.

Banks are considerably liquid. The credit deposit ratio was 67.4 per cent at the beginning of February 1973 compared to 74.2 per cent a year back. Productive avenues for the use of banking funds have to be explored. For example, banks should consider giving medium—short loans for financing industrial expansion.

Banking services have considerably deteriorated in the last three years. Undue delays are involved in the sanctioning of credit limits, in clearances of outstation cheques, and even at the bank counters. On the other hand, bank charges have gone up.

The capital market has not shown great response to new issues. To some extent, the shortfalls have been made good by all-India term lending institutions. However, the role of these organisations is primarily that of intermediaries and unless the market for industrial scrips is developed the growth of corporate sector will not be maintained or accelerated. Therefore, both companies as well as the term lending institutions should make an endeavour to approach the public, particularly in rural areas, to market industrial scrips.

TABLE IX
Wholesale Prices

(1961-62=100)

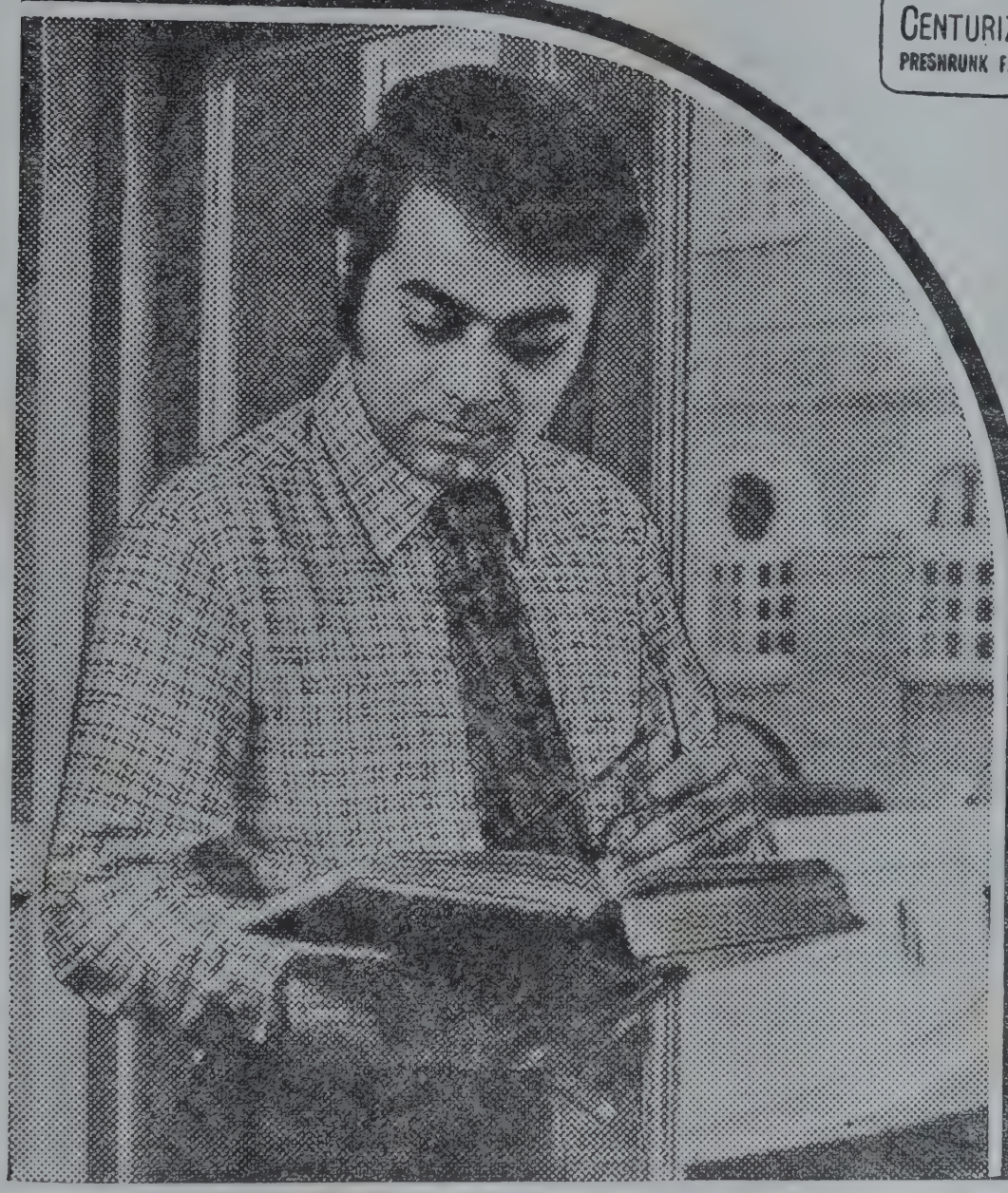
End March	Food Articles	Industrial Raw Materials	Manufactures	All Commodities
1969-70	199.8	185.8	148.9	175.7
1970-71	199.8	191.0	160.4	180.6
1971-72	216.5	178.7	173.4	192.4
December 30, 1972	242.9	216.5	178.7	211.0

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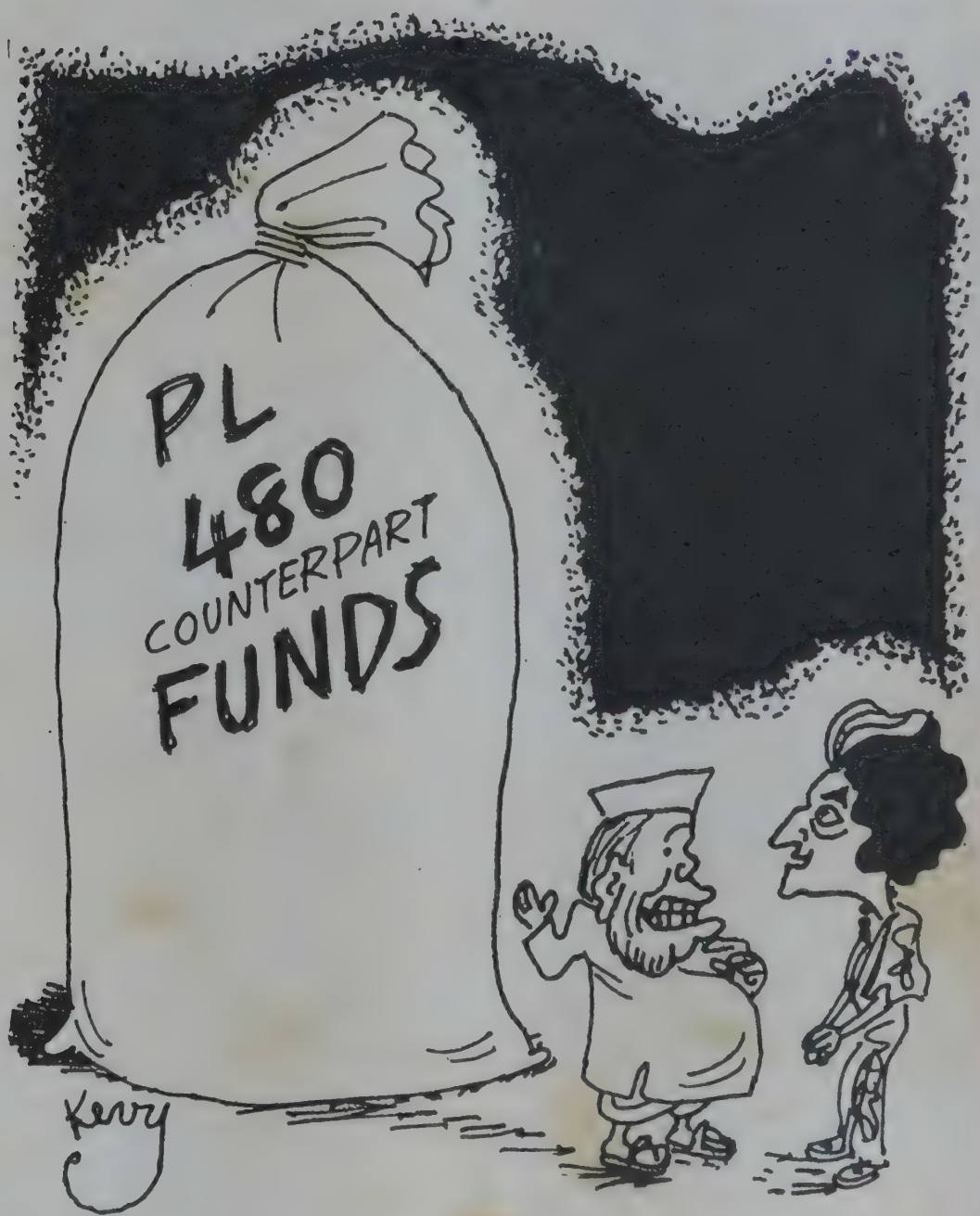
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SHALL WE NATIONALISE IT OR SIMPLY TAKE IT OVER?

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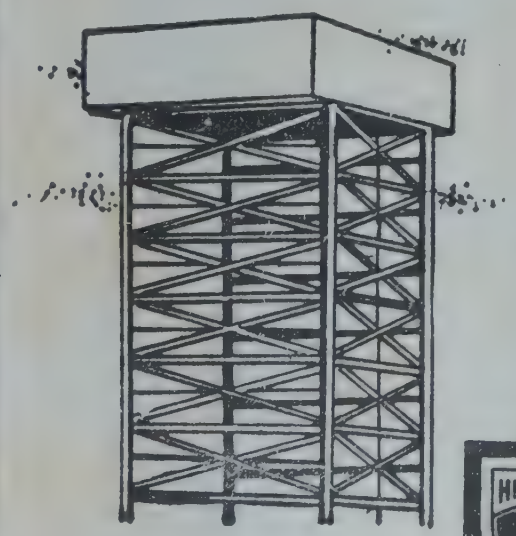
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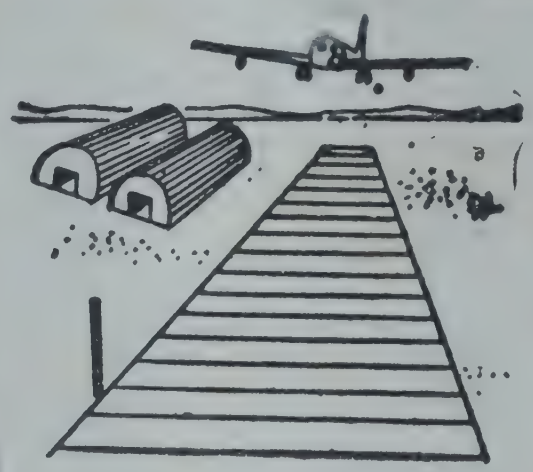
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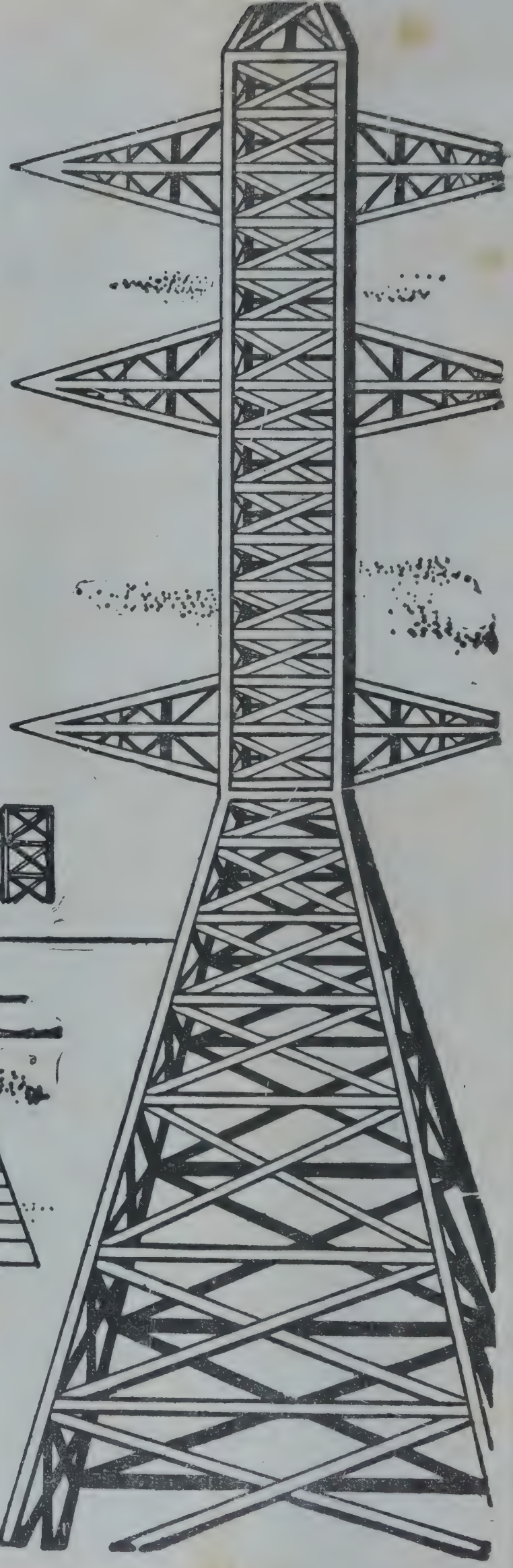
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Wages of inflation

WHEN A dog chases its tail, it has at least something to play with. But if the tail were to attempt to chase the dog, the exercise is apt to be merely frustrating. When the government gave the third Pay Commission its assignment, it was clearly setting the tail to chase the dog. Predictably, the commission's labours have satisfied none. This the commission could justifiably attribute to circumstances beyond its control. Inflationary pressures on the one hand and the aggressive claims for privileged treatment put forward by strategically placed categories of workers or employees on the other have now reached a point where it has passed beyond the wisdom of any Solomon to effect a compromise among various sections of the community or reconcile their interests with those of the community as a whole.

In theory, the government has every reason to let itself be bound by the following observations on *Wages* in the Approach to the fifth Plan:

> "Rises in wages unrelated to improvement in productivity push up wage-costs per unit of output. Such rises have to be avoided in the interest of price stability. Only in the case of trades with inordinately low wages a rise in these may be justifiable independently of improvement in productivity. In activities where wages are low because productivity is very low, rises in wages may result in reduced demand for labour and retrenchment unless accompanied by effective measures to raise productivity. In the public sector wages can be maintained at a higher rate than justified by labour productivity, for losses can be met from public revenues. This may be a justifiable policy in exceptional cases. But, if practised or acquiesced in on an extensive scale, it will eat up the resources for development...
>
> "In recent years, certain sectors have emerged as high-wage islands where the white collar employees predominate. They have, by using pressure, pushed up wages to levels that are much out of line with the general level of wages. It is necessary to resist this trend in a determined way. Or else, there will be heavy inroads into the estimated resources for the Plan and the country will be pushed into inflation and stagnation."

In practice, however, it may be taken for granted that the government will be forced again and again to act in ways which are contrary to these principles. This is part of the price that New Delhi and more so the country must pay for the former's inflation-oriented political attitudes or economic policies.

Government employees in this country and, more particularly, the employees of the central government have always been a privileged class among wage-earners or salaried employees. But they have lost some of the advantage they have been enjoying in respect of pay scales or job security as a result of the bargaining strength steadily acquired by workers in organised industry or employees of strategic institutions such as commercial banks or the newspaper industry. It is not surprising then, that central or other government employees are also determined to use their resources of organised agitation or action for recovering some of the ground lost by them in this manner as well as for securing the maximum compensation possible against the erosion of their real earnings by inflation. There is no particular point therefore in anyone attempting to read the Riot Act to central government employees far less preach to them sermons on the virtue of practising self-restraint for the sake of the fifth five-year Plan. After all, the prevalent attitude towards the Plan is to ask what there might be in it 'for me'.

It may perhaps be more to the purpose to inquire into the capacity the central government may have to resist demands from its employees or from other strategically situated categories of organised workers not only to be compensated for inflation but also to be enabled to improve their real wages even if this could be done only at the expense of the rest of the community including particularly the low income groups, the underemployed or the unemployed. The answer, unfortunately, must be that the government has very little manoeuvrability in this respect. That the third Pay Commission's report will be accepted by New Delhi without major modifications to the disadvantage of its employees is therefore in the nature of a foregone conclusion. That there will be a round of more or less successful wage claims on the part of the employees of the various state governments is also very much a part of the developing scenario. Finally, there can be little doubt that, even without these developments, workers in

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organised industry or other categories of strategically situated employees would attempt to anticipate their privileged share of whatever increase there may be in the size of the national cake in the course or as a result of the fifth Plan.

The only question that remains is whether the central government would let itself be pressurized into going even farther than the recommendations of the third Pay Commission, in its attempt to buy peace or rather a truce from its employees. For the regrettable situation is that the Pay Commission's recommendations do not seem to have served their primary purpose of averting continued agitation on the part of those whom it is intended to pacify if not satisfy. Much would depend on the degree of pressure which the central government employees or their organisations are prepared to exert. That they may be tempted to demonstrate their strength cannot be ignored in view of the known debility of the government in dealing with the political implications of challenges or confrontations of this kind. The prime minister, addressing the Federation of Indian Chambers of Commerce and Industry a few days ago, described the consequences of the Pay Commission's recommendations as 'a new challenge to the art of national budgeting.' She has conveniently ignored the fact that they are very much more relevantly a challenge to the continuing act of mismanagement of the national economy by her government. It is surely in the political interest of her party and in her own political interest to realise that part of the wages of inflation will have to be paid also by the politicians in power some time or the other.

Widening wings of state trading

THE IMPORT policy of the government of India for the current financial year is a continuation of the one pursued in recent years with the central objective of extending the control of the public sector agencies over foreign trade. The domain of the state trading agencies has been extended this year by the addition of 20 items taking the list of canalised products to 202. Besides 12 pharmaceutical and chemical products, the list this year includes copper pipes and tubes, bronze alloy wires, antimony metal, nickel alloy sheets, turbine oil, styrene, raw petroleum coke, and ships and vessels for the purpose of breaking up. The State Trading Corporation of India (STC) has been permitted to import books for meeting the growing requirements of universities, libraries and institutions. This is the first step, it seems, to bring the book trade under state auspices.

That the canalisation of new products every year has inflated the volume of operations of the state agencies is clear from the performance data of the STC for 1972-73. The exports of the STC are estimated to have risen from Rs 78 crores in 1971-72 to Rs 168 crores in 1972-73 which is further expected to rise to Rs 225 crores in 1973-74. The exports of leather-ware alone—canalised last year—increased manifold from Rs 7.07 crores in 1971-72 to Rs 78.02 crores in 1972-73 which is further budgeted to rise to Rs 142.55 crores in 1973-74. The value of imports roughly balanced exports in 1972-73. It is interesting to note from the working operations of the various divisions of the STC that all the export operations resulted in a small loss while the profit of the STC came solely from monopolistic imports and the sale of imported products. All the profitability ratios of the STC in 1972-73 derived their gloss from the profiteering indulged by it in imported goods.

As in the past, the priority industries will continue to receive a preferential treatment for import licences of both components and raw materials which would be provided for enhanced values to units whose increased production would directly result in saving on present imports. This is as it should be in view of the difficult foreign exchange position that the country faces. The number of industries in the priority list has been increased from 59 to 70 by the inclusion of such industries as have gained importance in recent years. This policy of encouraging priority industries in a bid to save on imports has yielded handsome dividends in the past and is likely to do so in the coming years.

The government has intensified its efforts to increase exports through compulsory export obligations. The list of non-priority industries brought under compulsory export obligation includes radio receivers, talcum powder, face powder, face cream, hair dyes, playing cards, spectacle frames and vacuum flasks. If these industries fail to honour the export obligation of five per cent of production, the government would cut import entitlements and the units producing these items would lose the facility of importing from preferred sources. It is an experiment which is likely to prove fruitful in the long run provided extreme care is taken in the selection of such industries.

The first consideration in this regard should be that compulsory exports should not bring about any shortages within the economy and that the goods selected should be such as would, both in prices and in quality, be in a position to compete in the world market. In the list of eight products there are some which have already proved their capacity to compete in the international markets. The radio receivers in particular have been able to catch the imagination of people in some African countries and there is no reason why the government should not encourage our exporters of electronic goods to extend the sphere of their operations. However, the threat that in case of non-fulfilment of the obligations there would be a cut in the facility of imports from preferred areas would hit some units hard. In the ultimate analysis, these units will have to balance the losses on exports by gains on import entitlements; if the gain exceeds the losses the desired exports would certainly take place. If this policy results in increased exports, there will be no harm in extending the list of products in this category.

That the import policy is export-oriented is evident from the concessions provided to exporting units. The units in the priority sector which export 10 per cent or more of their production would continue to be eligible for preferred sources of supply and facilities for expansion of production for exports. In those exceptional cases where exports equal or exceed one-fourth of total production, the preferences accorded will be of a higher order. What is more, the units in the non-priority sector which have similar export performance will come under the purview of the priority list and would receive the same benefits as are given to priority units. Surely the government wishes to encourage the export of goods by the non-priority sector and has no hesitation in according requisite facilities to it.

In order to provide protection to indigenous production units no less than 220 items have been taken off the import list. A large variety of goods are included in this list and the decision would be instrumental in not only promoting the indigenous industries but would also result in sizeable saving in imports. The list includes such industrial goods as ball bearings, machine tools, instruments, drugs, and chemicals, dyes and their intermediates. Some of these items—55 in number—which have hitherto been allowed to be imported by actual users without

restriction, will be imported on a restricted basis. At the same time the quotas of established importers have been slashed in respect of 26 items. All these measures form a part of the broad strategy of import substitution. However, the government will have to watch the behaviour of protected industries in the sense that they do not exert undue pressure on the domestic consumer either through increased prices or poor quality of goods.

The latest foreign trade data for the period April 1972 to January 1973 indicate that the policy pursued so far has been highly successful because the balance of trade, for the first time after a long interval, has shown a favourable trend. Exports at Rs 1,557 crores exceeded imports by Rs 151 crores. True, a part of this spurt is due to exports to Bangladesh (a substantial part of which is in the form of grants) and some gains have been recorded due to the recent weakeness of the dollar *vis-a-vis* the rupee, but it cannot be denied that some of our export goods have given a good account of themselves in the export markets. The exports to the rupee payment areas have continued to increase year after year though the increase in exports to the hard currency areas has been sluggish.

The complaint has usually been voiced against procedural delays in obtaining import licences, though various attempts have been made by the Ministry of Commerce to streamline it. Another effort has been made this year to simplify and improve the procedure for the issuance of licences. In the case of imports of machinery, the simplified procedure would now be applied to machinery valued up to Rs 20,000 as against Rs 12,000. The procedures regarding the import of samples and labels by registered exporters have been simplified. All these measures may facilitate export efforts but the battle for increased exports will have to be won on the basis of two fundamental criteria; competitive prices and improved quality of goods keeping in view the demands of the consumers.

Engineering capacity and utilisation

THE EXPORTS of engineering products in the past two years have been lagging well behind targets. Nevertheless, they have gone up appreciably in value over a period of years from a few crores of rupees worth in the early sixties to Rs 126 crores last year. Meanwhile, the total output of the industry has grown to be in excess of Rs 3,000 crores. We are now in a position to manufacture not only simple consumer goods but also a wide range of complicated and sophisticated machinery and equipment. The industry has also acquired the competence to handle turn-key jobs.

The reasons for the lack of adequate progress in the exports of our engineering products during the last two years are not far to seek. Initially, the production of these goods was hampered by labour trouble—especially in West Bengal where a large number of engineering export units are located—, shortages of steel, transport bottlenecks and decline in demand due to the near-stagnation of the economy. More recently, acute power shortages in various parts of the country and capacity constraints have hindered output as well as exports to an appreciable extent.

The labour situation has got stabilised to some extent. The shortages of steel should get mitigated through the recent improvement in domestic production as well as increase in imports which were authorised about a year ago. The power supply position too can be expected to show improvement in a couple of months with the onset of rains and as a result of the efforts being made to improve the working of thermal plants. The production as well as exports of engineering goods, therefore, should start looking up. The important area on which serious thought, however, ought to be bestowed now is capacity constraints.

It is true that, according to the union Ministry of Industrial Development, capacity utilisation in various lines of the engineering industry is far below the "rated capacity". In as many as 15 lines including the production of machinery for making portland and asbestos cement, cranes, diesel engines, dry cleaning and laundry machiney, mining machinery, cables, printing machinery, railway wagons, razor blades, road rollers, steel castings, tea processing machinery, etc., utilisation of installed capacity in 1971—the latest year for which figures are available—was not more than 40 per cent.

In another 22 lines, the more important among them being the manufacture of agricultural tractors, air compressors, aluminium conductors, ceramic machinery, chemicals and pharmaceuticals machinery, data processing machines, machine tools, power-driven pumps, room air-conditioners, sugar mill machinery, sewing machines, steel forgings and weighing machines, the capacity utilization was between 41 and 70 per cent. The lines in which the capacity utilization was somewhat satisfactory—over 71 per cent but below 100 per cent—included the manufacture of addressing machines, bright bars, calculating and adding machines, coating abrasives, domestic refrigerators, electric motors, hurricane lanterns, motorcycles, scooters, etc., paper and pulp machines, radios receivers, seamless tubes, storage batteries, winding wires and X-ray and electric-medical equipment. The situation was quite satisfactory in respect of the production of our aluminium ingots, ball and roller bearings, conveyors and wagon tipplers, crown corks, dry batteries, electric fans, electrical steel sheets, fluorescent lamps, gas cylinders, grinding wheels, house service metres, machine screws, PVC power cables, steel files, textile machinery (major item), transformers and wood screws. In these lines, the capacity utilization was above 100 per cent.

It may not be possible to raise the utilization of capacity in all the lines of the enginecring industry in the near future because adequate demand for some products may not be there. Further, the products of some units may not be up to the mark with the result that they cannot face competition in the market. The third factor to be appreciated is that full utilisation of capacity may not be possible because the effective capacity available may be lower than the so-called rated capacity. This is due to the fact that the productivity and efficiency of labour and raw materials may be much lower than what might have been assumed by the manufacturers of the installed equipment. Environmental conditions too might be vastly different from these presumed in calculating the rated capacity.

Similarly, the rated capacity notions in some lines of manufacture as well as in the case of some units may now have become obsolete as a result of increase in efficiency through productivity drives and research and development effort. The calculations of capacity utilisations by the union Ministry of Industrial Development in respect of these lines of manufacture and units, thus, may be on the low side.

All this makes it imperative that we

should make concerted efforts to assess realistically the installed capacity in the various lines of the engineering industry as also in individual units at least in the organised sector, so that capacity constraints on the production and exports of engineering goods can be properly identified. A committee has already been set up by the union government to look into this issue. But as the recent seminar on "Capacity in the Engineering Industry—Concepts and Utilizations", which was organised in New Delhi by the Indian Engineering Association, stressed, there are widely differing definitions of capacity—measurement of capacity in terms of "potential production", "normal production", "peak production", manufacturers certificate based on optimum skills of workers, management techniques, efficiency or raw materials, etc., licensing of capacity on one, two or three shifts and various other criteria. The finding of an ideal definition of installed capacity, thus, is no easy task. But a near-approximation can surely be hammered out, taking into consideration, of course, the Indian conditions. Unit-wise identification of capacity should be the ultimate aim so that efforts can be made to reach optimum production.

Optimum utilization of the realistically assessed capacities of the exporting units is imperative to reduce their production costs which would go some way in making our export products competitive in world markets. No amount of incentives can be a substitute for the quality and price competitiveness of an export item in the long run. It is encouraging to note that even the Seminar on the Generalised Scheme of Preferences, which was organised in New Delhi by the Indian Institute of Foreign Trade in the second half of last month, emphasised unit-wise approach.

In view of the fact that the capacity of a plant or equipment can be raised at least to some extent through improving workers' skills, better management control, increasing the efficiency of raw materials, and making environmental conditions more congenial, a periodic revision of installed capacities of industrial plants should be a sensible thing to do The allocation of scarce raw materials, both indigenous and imported, ought to be in terms of the realistically assessed capacities. This should help in ending the malpractices in the allocation of raw materials which are in short supply. In the interest of mitigating the shortages of raw materials, it is necessary that research and development efforts should be accelerated. Sizeable economies can be effected in the use of raw materials through these efforts.

Oil on the boil

THE OIL problem is on the boil again. Against the earlier confident feeling that crude supplies will be abundant and even in a glut, there is now talk of a world energy crisis emerging by 1980. With the hard bargaining of the central government with the foreign oil firms in the mid sixties the purchase price of crude oil was reduced by over 25 per cent to dollars 1.28 per barrel and there was even talk that this price should be brought down further to dollars 1.20 per barrel. The developments in the past 2½ years have however come about as an anti-climax and with the latest demand of the foreign oil firms for a hike of 17 cents per barrel in order to offset the adverse effects of devaluation, the new price is expected to be in region of dollars 2.50 per barrel or an increase of nearly 100 per cent since the latter half of 1970. Under the Teheran Agreement concluded between the international oil companies and the Organisation of Petroleum Exporting Countries there is provision for periodic adjustments in crude prices for offsetting the eroding effects of worldwide inflationary pressures. The devaluation of the US dollar on two occasions in less than 14 months by nearly 18 per cent has also had a complicating effect. But for the fact that the Indian rupee has not depeciated to the same extent in the period under reference in terms of dollars the rupee cost of imports has not risen more than proportionately.

The foreign exchange bill however is proving to be forbidding as even for importing the same quantity, double the amount in US dollars has to be paid and latterly tanker freight rates also have tended to rise with an increase in the volume of trade in the wet cargo. As internal production of crude oil has been static around seven million tonnes in the past few years and it is not expected that there will be an increase in output upto even 10 million tonnes by 1978-79, there is the compelling prospect of an increase in crude imports from around 13 million tonnes in 1972 to 26 million tonnes by the end of the fifth Plan. Even now the cost of imports is around Rs 200 crores excluding freight charges on transport. This will increase to over Rs 400 crores assuming there is no rise in prices in the meantime. But it is forecast that the crude price may be nearer $ 4 per barrel than $ 3 by the end of this decade and the foreign exchange bill can be easily Rs 600 crores even excluding freight charges.

The government is not adopting a realistic policy in regard to its arrangements for import of crude for meeting an increasing demand for petroleum products. Apart from the absence of any sense of urgency in the formulation of plans for intensive oil exploration on the mainland and in the offshore areas no proper approach has been adopted in regard to the creation of additional refining capacity or the use of existing capacity. It is crystal clear that oil exploration in the offshore areas particularly cannot be carried out vigorously without proper foreign collaboration. Even though the Russian estimates have been repeatedly emphasising the possibility of India having ultimately around 4000 million tonnes of crude reserves, proved reserves are not more than 60 million tonnes and unless additional deposits are established with intensive exploration in new and existing areas there cannot be a significant increase in indigenous crude production.

The government has to give the impression to the oil selling world, especially the members of the OPEC, that it is not a weak buyer and it can reduce its dependence on outside sources to a great extent by increasing its crude output. The policy spelt out by the

former Minister for Petroleum and Chemicals, Mr G. R, Gokhale, gave room for the feeling that workoble arrangements might be concluded with foreign collaborators for exploration in offshore areas simultaneously in many regions and new successes may encourage the feeling that our country is not so poorly placed in regard to the availability of oil reserves. Nothing has however been heard about the progress of negotiations in this regard with foreign oil companies. The new minister, Mr D. K. Barooah, has not had time to settle down. But it is imperative that tangible progress should be made in this direction. Otherwise, the bargain with foreign suppliers for our growing crude requirements cannot yield fruitful results. Even now there are serious anomalies in government's policy relating to allocation of foreign exchange for the import of crude by the foreign owned refineries in the private sector and those in the public sector.

So long as there was competition among the foreign suppliers to secure a share of available business the import prices could be kept down. The situation however has vastly changed with the OPEC trying to exploit to its advantage its favourable position in regard to exportable crude supplies. There has also been an alarming increase in world consumption and USA, western Europe and Japan are absorbing quantities which are even exceeding the increase in the quantum of exportable crude surpluses. Unless the strong buyers join together and oppose the OPEC and new deposits are established in India, south-east Asia, USSR and even in USA which has the largest reserves in the world, crude prices cannot be prevented from going up sharply.

The emergence of shortages of crude and even particular petroleum products in the world markets have thus led to a hardening of international prices and the adoption of a tough attitude by the international oil companies and OPEC. In these circumstances, the government should pursue at least a policy of creating refining capacity in a big way besides using effectively the existing capacity. The foreign owned refineries however are handling only about eight million tonnes annually while they are capable of a throughput of nearly 11 million tonnes. Also, with the reduced imports now being effected on account of the dispute over the prices that should be charged the actual throughput in the current year may be much less than eight million tonnes if no satisfactory agreement is reached over the quantum and cost of crude imports.

There will of course be an increase in the throughput of the Madras refinery by over three lakh tonnes and that of the Cochin refinery by one million tonnes with the completion of debottlenecking operations and the expansion scheme of the Cochin refinery. The actual increase in throughput however in the current year on account of these refineries may not be more than six lakh tonnes. There can at best be a neutralisation of the adverse effect of a decline in the throughput of the three refineries in the private sector, with the better performance of the existing two coast based refineries in the public sector. The Haldia refinery of course is scheduled to be in operation by the end of this year but in 1974 consumption would have increased over 25 million tonnes in terms of refined products while the capacity of all the refineries without taking into account the capability of the three refineries, supposed to be clandestinely created, will be only 23 million tonnes.

With no prospect of the Mathura refinery being completed before the end of the fifth Plan and with consumption of petroleum products likely to rise by 2½ million tonnes annually an extremely difficult situation is likely to arise in 1975-76 if proper arrangements are not made for importing large quantities of crude for expanding the capacity of the three coast-based refineries in the public sector and using the clandestine capacity which is now unused, of over three million tonnes. Actually the difficulties can be overcome and substantial savings effected in foreign exchange expenditure on imports of petroleum products, if a quick decision is taken in regard to the acquisition of majority ownership in the equity capital of the foreign owned rre fineries and long-term agreements are concluded for importing crude on a defined basis. Up to now the creation of refining capacity and the output of petroleum products has more or less kept pace with the growth in consumption of the latter. Any failure to frame workable policies and meet the needs of the futurn, with a proper fuel policy and adequate expansion of refining capacity, can have serious harmful effects on new measures aimed at hastening the rate of economic growth in the current decade.

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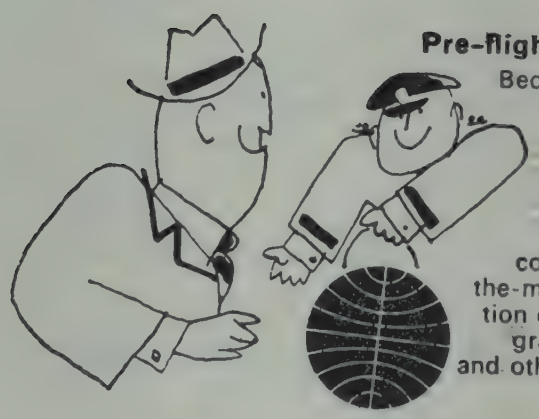
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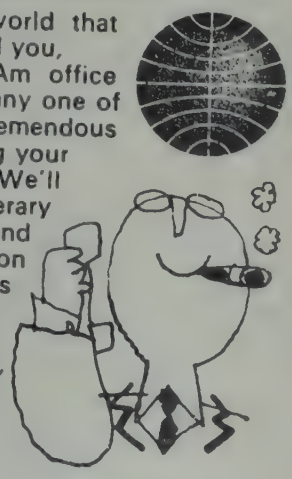
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Dearer money policy

R. V. Murthy

THE CASE for a higher bank rate has begun to gain more and more support, the latest to advocate it being no other than Mr R. K. Talwar, Chairman, State Bank of India (SBI). What seems to distinguish Mr Talwar's plea, however, is that he has urged a hike in the bank rate not only because some such action is called for to restrain credit expansion, but also because he feels—as he has always done—that the bank depositor in India must get a better deal. The last time that the rates on deposits were increased, it may be recalled, was in January, 1971, when the bank rate was raised from five to six per cent. Some days ago, Mr S. L. N. Simha, writing in The *Hindu*, also made out a strong case for a higher bank rate. Arguing that the totality of the economic situation in the country and in relation to developments in the foreign money and exchange markets calls for a stronger—"demonstrably severe"—dose of credit restraint, he went on to say: "This can only be done through raising the bank rate, which will produce a far bigger impact than operating on the net liquidity ratio. Considering everything, an increase in the bank rate from 6 to 7 per cent is indicated". He too added, of course, "corresponding increases in the whole range of deposits will be called for".

floating of bonds

Both Mr Talwar and Mr Simha have opined that "it is also absolutely necessary to revise the coupon rates on Government bonds". There is no question that the rates now being offered are "most unrealistic". It is noteworthy that Mr Simha made the further point that "marketable bonds must be floated to draw money from non-bank investors, *especially individuals*". In other words, he did not want to see only the government securities portfolio of banks float on the exhortation of the Governor of the Reserve Bank, as has been happening now. Even the Reserve Bank governor did not bargain perhaps for the record increase of Rs 625 crores under this head in the 1972 slack season and that too when there was not the customary disinvestment of government securities during the previous two busy seasons.

Because rates on deposits may have to be raised, Mr Talwar has appropriately stressed the necesstty to review the income side of bank operations, an aspect which seems to get lost in the new found enthusiasm in the wake of bank nationalisation to assist the weaker sections of society, let alone the priority sectors. It is all very well to express dissatisfaction with the progress made by nationalised banks in this sphere, as the union Finance minister seems to be never tired of doing, but not even nationalised banks can go on adding to their assistance to these sectors if, in addition to the element of risk involved, the operations continue to show a rising increase in expenditure over income.

priority advances

In the case of SBI, according to Mr Talwar, the excess of expenditure over income in respect of advance to priority sectors, which was Rs 2.75 crores in 1970, rose to Rs 5.0 crores in 1971. (He did not disclose the figure for 1972, but obviously this must be even higher). This excess is bound to go up further in the coming years when the differential interest rates scheme also would be in full operation. During the year 1972, this scheme operated only for about five months and SBI could advance only Rs 32 lakhs covering 10,772 accounts, but with the elimination of the somewhat inhibiting factors of the restriction of geographical coverage to selected backward areas and the lack of trained personnel to appraise, sanction and supervise the large number of accounts, this should increase substantially.

This is not to suggest that banks, much less the SBI, have not done their best, or are averse to assisting the priority sectors. At least to some extent, the criticism that banks have failed to avail themselves of the opportunity to increase the flow of funds to the priority sectors last year has stemmed from the emergence of surplus liquidity in the banking system. As Mr Talwar has said in his statement to the shareholders of SBI, "from the stage of *comfartable liquidity*, we proceeded to the stage of a somewhat *burdensome liquidity*, for the first time in more than a decade". Even so, it is necessary to invite attention to some of the problems that the financing of the priority sectors has given rise to, as the SBI chairman has done. Making it very clear that all banks have an abiding interest in these sectors as they ought to, he has said: "We are, however, chary of hasty and adventurous measures that seem glamorous at first sight but are difficult in execution and could be disastrous in results. After all, if our resources are to be frittered away on wasteful projects, the advocates of instant aid to priority sectors would be ever more vociferous in condemning bank managements". One can, therefore, sympathise with the view in this behalf so frankly expressed by Mr Talwar. "To my mind", he has told his shareholders, "it is a rather simplistic notion if one were to believe that funds should have been injected into these sectors just because they were needed and were available". He aptly likened this to saying that "a patient who is in need of strength should be given all available food. After all, the patient's capacity to digest the food and covert it into energy must be reckoned with". Few will therefore, question the correctness of his approach, namely that "credit can be made available to these (priority) sectors only after formulating specific schemes that take into account not only the need for funds but also the availability and development of the economic and organisational infrastructure."

lead banks

But who is to do this? What about the Lead Bank Scheme which was specifically evolved to enable banks to play their due role in the economic development of the country? If the experience of SBI in this field is something to go by, it would appear that the lead bank scheme has to achieve much more than prepare survey reports. For these reports, it is said, "do not provide a specific blue-print or plan of action for the banks". SBI has tried to get over this difficulty by conducting action-oriented studies of a much smaller and more manageable area unit than a district to enable the drawing up of a specific action plan for meeting the credit needs of various economic activities in the area. Further, it intends to take up, in a phased manner. such depth studies in all the community development blocks in the lead districts allotted to it. But what the experience of other banks has been and what they have done have yet to become known.

Another difficulty is the attitude o

individual borrowers, in particular agricultural (and agriculture must command every bank's major attention in the lead districts). One experience of SBI cited by Mr Talwar in agricultural financiug is rather unfortunate; it may not be unusual, though, what with so many factions among our political parties, ruling or in the opposition. One can under stand a borrower refusing to repay a loan when his crops have failed, but when a borrower has succeeded in raising good crops after receiv'ng all assistance and still refuses to repay, maybe at the instigation of some local busy-body or the other, one is really at a loss, because one who has the potentiality of developing into an independent entrepreneur is thus misled. Of course, the law will take care of the defaulter in due course and the bank may even eventually recover its loan, but such experience is liable to leave a bad taste in the mouth. As Mr Talwar has disclosed, "this experience has not merely stalled progress in that village, but the frustration and disappointment of our field staff has affected morale and our work in the adjoining villages as well",

role of panchayats

This means that it is not enough even if both the need for assistance and the availability thereof are there. There must also be some agency not so much to enforce financial discipline on the part of the borrower as to effectively prevent outside elements who are not concerned in any way to intervene in this promising experiment and vitiate the atmosphere. Perhaps the panchayats of the place could use their good offices to prevent such happenings. Fortunately, this is not SBI's experience in every case and one swallow does not make the summer. In fact, Mr Talwar has himself cited another quite heartening experience which has led to an appreciable increase in the standard of living of the living of villagers concerned.

A crucial factor for success in all such activity, therefore, is the integrity, enterprise and unsullied motivation of the borrowers, apart, of course, from the appreciation of the problem by, and the full co-operation of, the state governments concerned. All this means expending of considerable time and effort. As the chairman of SBI has noted, "in-depth studies, formulation of schemes and banking propositions, initial experimentation and gradual extension are all time-consuming, but I believe this is the process that will produce tangible and permanent results."

In the course of his news conference on the eve of the annual meeting, Mr Talwar has had occasion to dwell on another interesting banking development as well. It is the branching off of more and more financial institutions into the field of merchant banking. After the ICICI—or perhaps simultaneously with the ICICI—it is SBI which has set up a separate merchant banking division to cater for the promotional needs of the corporate sector. This division is to tender financial advice in setting up new projects or implementing expansion, assist in the preparation of technical feasibility studies, engage in the syndication of loan assistance and underwriting of capital issues, as also acting as an issue house, all well-known functions of merchant banking. But what must make SBI merchant banking division attractive to businessmen is the proposal to help small scale units which have reached gross plant and machinery investment of Rs 7.5 lakhs to grow into medium scale units and thereby reap the benefits accruing from economies of scale. It has been indicated, for instance, that, in order to enable small units to augment their equity capital base, this division would help them sell a portion of their equity capital to institutional investors. At the present stage of India's industrial evolution, this should prove to be a god-send to many a small struggling entrepreneur.

Mr Talwar has referred to yet another important aspect of banking—employee participation. Now that employee representatives have joined the boards of directors of nationalised banks, it will not be very long before SBI employees also may come to sit on the SBI Board. As he has noted, employee participation does not end with the induction of employees' representatives on the boards of management. If the concept is to become concrete, there must be a real sharing of responsibility for the tasks to be tackled by the board, and, in order that this may materialise, employees' representives must not only study and understand these tasks themselves but make their colleagues take an interest in and appreciate them, not just from their narrow selfish point of view but from the point of view of the nation's best interests.

RECORDS AND STATISTICS

Editor : R. V. MURTHY

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Insurance coverage and claims

Viren J. Shah

This article is based on a speech delivered by Mr Viren J. Shah, President, Indian Merchant's Chamber, Bombay, at the second conference of the All-India Institute of Insurance Surveyors and Adjusters, held recently in Bombay.

AS A BUYER of insurance protection, I think of insurance only when the annual report to shareholders is getting ready when we convey to the investors that the assets of the company are adequately insured against the risk of fire and other insurable hazards. The only other time when we think of insurance is when a loss occurs and the manufacturing activities come to a standstill for some time. At this stage we come in contact with the surveyor.

As a representative of mercantile community whose insurance premia help support the insurance industry as well as the surveyors, I would like to present a few thoughts on assessment of loss and adjustment of claims. It is a notion, of course mistaken, that the client often assumes the surveyor to be a representative of the insurance company. That insurers paying the assessment fees need not lead the clients to such a misleading belief. In fact the clients also expect the surveyors to be completely independent, impartial and objective in their approach and fair in their findings.

Whether it is the small truck owner whose livelihood depends upon the smooth and uninterrupted running of his business or the giant industrial clients for whom the factory complex must be kept running as soon as practicable after the loss, the expectations are the same. The client wants his loss assessed and the claim settled *and settled fast*. It is in this context that I would urge upon the surveyors and adjusters to appreciate the anxiety of the clients in getting the assessment done as expeditiously as possible and thus enable them speedily to commence their business as usual after a loss.

delay by surveyors

It has been our experience that a lot of time is quite often taken by the insurance companies in finalising their losses because of the delay in the submission of the findings by the surveyors appointed for the purpose. From the client's point of view all this will cost a lot. I would, therefore, urge the surveyors to make it a point to commence your findings without delay, finalise their reports as early as possible and if need be, submit to the insurers *interim report* in order to get things going.

It has also been noticed that all the requirements of the insurance companies for finalising the claims are not known to the clients in advance. Quite often, the requirements are ascertained from the clients on a piece-meal basis thus wasting valuable time in the processing of the claim. It would, therefore, be appreciated most if the insurance companies' requirements are well-known to the surveyors and the required information collected as early as possible from the clients, thus reducing the time between occurrence of the loss and the submission of the report and the settlement of the loss.

forgetful clientele

Apart from a few big firms who have well organised insurance departments at their disposal, the large section of clientele hardly bothers to go through the terms, clauses, warrantees and conditions of the insurance contract. Ironically, it is only at the time of a claim and that too if it is rejected by the insurance companies that the clients' attention is drawn to the various terms and conditions of the company which are, more often than not, printed rather inconspicuously on the back of the Policy. It will be necessary, therefore, for the surveyor, who has to act as a judge impartially between the insurance company and the clients, to keep his mind open and to ensure that the maximum justice is done to the clients and no advantage in any circumstance is taken by anybody of the client's innocence of the policy conditions.

Arising from the above, it will follow that the surveyors may have to take a liberal view of the warrantees and their observance. As long as the client cannot be accused of any intentional lapse or of a desire to save premium at the expense of the safeguards recommended by the insurance compay, I would suggest that the surveyors take a lenient and liberal view of the circumstances surrounding the loss at the time of finalising their findings.

radical change

A radical change has been brought about in the insurance field by nationalisation of the general insurance of the country, which itself requires new adjustments and may be some qualitative changes in the approach as service to the client in a socialistic state acquires a very significant importance.

I congratulate the government for not nationalising the profession of surveyors and adjusters and I do wish that this will not remain a short-lived phenomenon. We have experienced with regard to railway claims that the Railways are their own assessors and adjusters and one does get an impression that the assessments are not always impartial.

The government here, however, is in a dual role. It has its interests linked to the industry also as the government financial institutions and insurance undertakings are major investers and shareholders in industry. And deficiency in adjustment of insurance claims in a bureaucratic manner, will only cause an indirect loss to its investments through the institutions. In the context of such delicate counter-balancing force, I do hope that the insurers and surveyors would be alert against introduction of unnecessary paper work and procedures which is common with bureaucracy and government organisations.

With technological changes and increasing complexities much more intensive and methodical training is called for. I am sure that the Institute of Insurance

Surveyors and Adjusters must be considering organising regular courses to train professional surveyors. I believe even the insurance companies and chambers of commerce and industries could play a useful role in this, if called upon. I might even venture to suggest that articleship with recognised and licensed surveyors should be made a pre-requisite before a licence is given to a surveyor. In the case of solicitors and chartered accountants this practice has proved useful, which may be so in this case as well.

technological advances

Ours is a fast changing world. All industries, the world over, have been adopting technologically advanced methods for production, marketing and distribution. I would urge upon the Institute of Insurance Surveyors and Adjusters to encourage their members to keep themselves abreast of all these changes and ensure that they are well acquanted with the various changes taking place around them.

To cite a few examples: packaging industry and the enormous growth in the use of packing and wrapping materials, paper and cardboard present outstanding hazards of these combustible containers in the form of 'ease of fire inception and ease of spread'. Suggestions should, therefore, be made regarding adequate provision for the safe disposal of such materials. Similarly in the plastic industry we have a comparatively new industry which is rapidly developing and giving us some very bad fires indeed. I have a feeling that few people appreciate the fact that many types of plastic materials and goods burn just as easily as, and often far more easily than wood. Wood has been with man since the beginning, and its properties have always been known. Plastics are a very important development and their properties are not generally known, at least as far as fire risks are concerned. The development of plastic is being rushed ahead so energetically by technicians and by the trade that underwriters may have to be prepared for further surprises.

The chemical industry is another rapidly expanding industry, particularly in the petrochemical field, where there can be some nasty losses. As 'loss adjusters' you might have noticed that processes, some of which may have been in use for a long time, suddenly go wrong. The cause may be the human element, some impurity findings its way into the chemicals under process, a fault in the design of the apparatus, or in many cases, for reasons unknown. But once something has gone wrong the resultant claims, fire or explosion and consequential loss, are often very heavy.

In the backgronnd of the above features, I feel an urgent need for a comprehensive risk improvement programme.

As in many other fields, so also in the field of insurance prevention is better than cure. Rather than go through the bitter experience of loss, it is better to concentrate on devising a method of obviating the chances for losses or at least to minimise them. From this point of view, what are known as pre-insurance surveys, are of considerable significance and it would be desirable for the profession to give consideration to this aspect and see how best it can serve business and industry in this direction. In the long run, such an approach should help reduce the overall cost of insurance and prove mutually advantageous both to the insured and the insurer.

poor housekeeping

The one factor that stands out above all others is that of house-keeping, which today varies from good to dreadful. There is no doubt in my mind that poor housekeeping is at the root of many fires today, but I do not know how the underwriter can do more than play a small part in the form of either refusing to accept or renew business. In our larger industrial complexes there is often evidence of poor manangement. Regular inspections by surveyors help, but we all know that risks can change from one day to another, and it is impossible to resurvey as often as we would wish. Good housekeeping should start at top executive level and your association may make strenuous efforts to acquaint management in this respect that big fires take place due to the work of arsonist made much easier when housekeeping is poor and he is presented with such opportunities with combustible packing materials and plastics.

I would like to pay special tributes to those firms of surveyors who might have prevented many fires by their efforts in risk improvement by suggesting 'inbuilt protection', particularly sprinklers, segregation of hazardous processes, replacement of combustible by non-combustible materials, advice on waste removal, the use of fire proof doors, etc. Consideration of risk-improvement before buildings are erected or extended is again very important, and co-operation between insurer, architect, surveyor and insured can be very rewarding to all parties.

Thus, surveyors can contribute a lot in assessing hazards, can draw attention to hazards which are capable of elimination or reduction and help in many ways in ensuring that industrial management is kept fully alive to its responsibilities in maintaining a proper attitude towards safety and fire precautions.

Let us look at the measures adopted for minimisation of losses. The insurance companies expect that the clients would take every precaution to minimise the occurrence of losses. The clients at the same time hope to see that no losses occur which are avoidable. They endeavour constantly to see that the packing standards are the best possible and no losses take place either in the factory or while in transit.

However, occasionally one finds sur-



veyors and insurance companies becoming over-enthusiastic to recommend impossible improvements in the standards of packing to be adopted. While I fully appreciate the keen desire of the insurance companies as well as the surveyors to minimise the losses, I would urge upon them to take a practical point of view and recommend measures for minimisation which are easy to adopt and permitted within the cost structure.

There is also a long standing need to provide guidance to the insurance buyer in the nature and scope of different types of insurance covers available to enable him to buy maximum protection at an economic rate of premium. This could be done by a joint committee consisting of representatives of industry, underwriters and surveyors. If need be the merchants' chambers may provide the initiative in forming such a committee.

Once such a working group is formed, it may also go into the working of the 'small type' clauses and warrantees of the Insurance Policy, which restrict the scope of protection, tie down the hands of the surveyor and affect the interests of the insured who has purchased the protection in utmost good faith.

Enterprising farmers of Tarai

Dr I. J. Singh

IN THE Tarai area of Uttar Pradesh[1], considerable amount of capital investment has taken place. Prior to the settlement which started during 1947-48, in this area, malaria was rampant, forests were thick and wild animals made existence of human population difficult. After the partition of the country in August 1947, settlement started and various kinds of incentives were given to the people for starting agriculture. Reclamation of the forests was also done with the help of heavy machines. The settlers in the Tarai are the displaced persons from West Pakistan, East Pakistan (Now Bangladesh), retired military personnel, agricultural graduates and political sufferers.

The Tarai agriculture has seen very heavy capital investment and acute shortage of human labour over years. As a consequence, farm mechanization has been taking place at a rapid rate. The heavy capital investment in the Tarai has been due to: (i) displaced persons received monetary help from the central government for their settlement or they, already had cash and ornaments; (ii) the retired military personnel already had enough cash received as pensions or gratuity; (iii) agricultural graduates and political sufferers were given liberal government assistance to start farming in the Tarai: and (iv) the nationalisation of the major commercial banks in August 1970 facilitated increase in the capital stock of already "creditworthy" farmers of Tarai. Introduction of the high yielding crop varieties since 1966 has further increased capital investment in the Tarai agriculture.

As its name implies, the Tarai is a highly fertile belt of land with plenty of water, lying between the foot-hills of the Himalayas and the open plains in the state of Uttar Pradesh. The soil is rich with a high humus content.

Heavy capital investment and inadequate supply of both human and bullock labour in the Tarai agriculture since 1948 has posed many problem areas for research. These problem areas may include a comprehensive study of the Tarai farmers who have had strong capital base and inadequate labour supply. In this regard specific questions may be: do these farmers permanently live in the Tarai or do they have other connections or family members living outside the Tarai, what is source of their supply of human labour—family or hired, do they get income from a source other than their own farm, what is source of their farm financing—own funds, money lender, batai, relatives or commercial banks, where do they invest their farm incomes, what is the relationship between the daily wage labourers, what is mode of their wage payment—duration of their employment—accommodation facilities provided to these labourers, wherefrom these labourers come, and, is there any trend toward mechanization of farm operations?

These are some of the questions which need to be answered for a meaningful formulation of the policies—for improving the lot of thousands of daily wage earners, for mobilizing the rural savings, and for farm mechanization without creating unemployment for the landless daily wage workers.

It is difficult to quantify all the questions raised above. Moreover, all the questions don't need to be quantified and could be answered without any empirical verification or justification. For example, except the tribal farmers, all other non-tribal farmers of the Tarai are settlers and thus have at least two establishments one at the Tarai and other at the place to which they originally belong. In case of the displaced persons, obviously, now the Tarai is their permament place for settlement. Some of the large (above 12 hectares) farmers also own agro-industries, other farms or some business in big cities and towns. It would also not be difficult to find the relatives of the film stars as owners and operators of the Tarai farms. This is enough to indicate that all the big farmers (above 12 hectares) of Tarai who are about 40 per cent of the total number of Tarai farmers, have enough owned capital at their disposal. About 35 per cent farmers who own between four and 12 hectares are medium farmers and the rest 25 per cent owning below four hectares are small farmers[2].

The major source of labour supply on Tarai farms is the hired labour force coming from the neighbouring districts of Rampur, Moradabad, Bareilly and Budaun. Labourers from hilly areas of Nainital and Almora districts also come but they are paid less than a labourer from plains because the former is not fully suited to work on the farms located on plains. A great majority (about 80 per cent) of the hired labour force come from Arrah and Chhapra districts of Bihar, and Deoria, Gorakhpur, Basti, Gonda, Barraich, Gazipur and Ballia districts of eastern Uttar Pradesh covering a distance of about 400 to 500 miles. These labourers get their employment on large farms

since on the small farms, family labour meets almost all the requirements of the labour force.

Majority of these labourers come in search of employment on the Tarai farms, through a "contractor". That is, a man brings these labourers, pays their transportation cost and gives them some small amount of money for buying their daily ration. A tarai farmer who may be in need of employing these labourers, contacts this "contractor" and not the individual labourer. After some bargaining, charges, to be paid by the Tarai farmer to the "contractor" are fixed. For example, for harvesting paddy, a farmer may be required to pay Rs 30 per acre. Once "price" for doing a particular farm operation is fixed, the "contractor" sends his labour force and gets the price for his labour force directly from the farmer. Then, the contractor pays back to his labour force, leaving margin for himself. In this way, a "contractor" saves about Rs 500 to Rs 600 per month. Labourers are also employed on daily wages.

Depending upon the nature of farm job and the demand for labourers, daily wages range between three and five rupees In the peak months of October-November and April-May, daily wages average about four rupees. In a crop season, the number of labourers hired on daily wages on a large farm is around 80 per cent. On these farms, about 20 per cent labour is permanently employed throughout the year. On a small farm, the situation is just reverse. That is, about 80 per cent work on the farm is done by the family members and about 20 per cent by the hired labour on daily wages.

The living conditions of these labourers are highly unsatisfactory. Usually they live under a tree. Some of them also make "thatch huts". A pond or a natural stream is their main source of drinking water. However, if they live near a community, they could get tap water or water from a tubewell. The large farmers also sometimes employ a large number of labourers without the help of the "contractor". The living conditions of such labourers are as unsatisfactory as of the labourers employed through a "contractor". Facilities for medical aid, and recreation just don't exist. They just survive, but even under these circumstances, they feel better off than their parents.

The duration of the employment of these labourers is seasonal—July-August, November-December, and March-April. However, large farmers also hire one or two labourers permanently depending on their size of farm. The permanent labourers may be paid both in cash and kind (some fixed monthly or yearly emoluments in cash and break-fast in kind). These labourers live almost like a family member on the farm.

For a large Tarai farmer, the source is his own savings. Small farmer's sources of farm finance are by and large the relatives and the commercial banks. Unlike the farmers in other areas of Uttar Pradesh, the Tarai farmers no longer depend on the village money lender.

With the above general survey of the Tarai farms, two basic questions could be answered. Firstly, what is the 'general nature' of these farms and secondly what is happening on these farms in regard to farm mechanization? To study the "nature" of a farm, cropping intensity, family and hired labour employment, number of tractors owned, fertilizer use, and plant protection expenditure, were taken as criteria. A farmer primarily depending on the hired labour, owning a tractor, having at least 200 per cent cropping intensity, and using relatively less bullock power is termed as "enterprising farmer" Others have called such farmers as the "new capitalist class", "gentleman farmer" or the "big farmers"[3]. This definition of an enterprising farmers would be in conformity with general hypothesis of this article. That is, the farmers who have settled in the Tarai after the partition of the country in 1947, are enterprising and their primary objective is to maximise their money incomes.

The measures for the trend toward farm mechanization are closely related with the definition of an enterprising farmer. That is, those large farms who do not use their family labour but employ a large number of hired labourers, have at least 200 per cent cropping intensity, own at least one tractor and use near optimum dosages of fertilizers and take plant protection measures, would rapidly go for farm mechanisation. The underlying premise in this definition of trend toward farm mechanization is that these farmers would rapidly adopt the ingredients of the new technology such as the improved seeds, chemical fertilizers, tubewells for irrigation water and tractors. This adoption of the new technology would, however, largely be confined on large farms because their risk bearing capacity is more than the small farms.

To fulfil the twin objectives of studying the 'general nature' of the Tarai farms and the trend toward farm mechanization, survey data for the 1969-70 crop year were used[4]. This covered 16 small farms owning an average operated area of 4.22 hectares and 17 large farms owning on an average, operated area of 31.38 hectares. The operated area on small farms ranged between 1.21 and 6.10 hectares, whereas, on the large farms it ranged between 13.76 and 80.97 hectares. The major crops grown on these farms were soybeans, maize and paddy in *kharif* (rainy) season and wheat in *rabi* (winter) season. All the farmers included in the study grew high yielding varieties of these crops.

(i) The Nature of the Tarai Farmers:

Table I shows, net income, human (family and hired) labour employment,

TABLE I

Total Cost of Production, Net Farm Income, Human Labour Employment, Cropping Intensity and Average Number of Draught Animals and Tractors per Farm on some Tarai Farms: 1969-70

Type of farm	Number of farms	Operated area (hect.)	Irrigated area (hect)	Total cost of production (Rs)	Net Income (Rs)	Human labour employment (man-days)		Cropping intensity (per cent)	Average number of	
						Family	Hired		Draught animals	Tractors
Small	16	4.22	1.26	6281.93	7249.03	518.18	646.41	173	4.58	0.32
Large	17	31.88	26.50	57091.02	97170.87	..	10945.36	200	1.36	3.53

cropping intensity and average number of draught animals per farm. Large farms do not employ their family labour for doing farm operations, whereas on the, small farm, the family labour employment was for 518.18 mandays. Assuming a year of 365 days, this means, year-round employment of 1.42 adult members of the family. On the other hand, on large farms hired labour employment is about 17 times more than on the small farms. Further during the 1969-70 crop year, a small farmer hired 1.77 men, whereas, the large farmer hired about 30 labourers during the same period (Table I.). Net income on the large farms was 13.4 times higher than the per farm net income on small farms. The human labour employment and net incomes on the small/large farms in Table I, lend strong support to the hypothesis implicit in this article, that is, the large Tarai farmers are highly enterprising and entirely depend on the hired labour supplied from areas other than the Tarai[5].

The intensity of cropping on the large farms is 200 per cent against 175 per cent on the small farms. This means a large Tarai farmer is able to take at least one crop in *Kharif* and one in *Rabi* season. The small farmer, whose cropping intensity is less than 200 per cent, has to leave some land fallow either in *Kharif* season or in the *Rabi* season. This may be due to the scarcity of capital and irrigation facilities on the small farms. The large farmers having no capital constraints are able to have their own source of irrigation like tubewell, whereas, the small farmers primarily depends on the canal water or on "purchased" tubewell water from the large farms to irrigate their crops. Due to this fact, a large farmer is able to irrigate 84 per cent of his total operated area against only 30 per cent by a small farmer.

The total cost of production on small farms is Rs 6,282, number of draught animals 4.58 and out of 16 farms only and 5 whose farm size is 6.10 hectares own tractors. On the other hand, on large farms, cost of production per farm is Rs 57,091, number of draught animals 1.36 and every farmer owns about three and a half tractors (Table I). These figures again reveal a high level of capital investment on the large farms of Tarai.

(ii) Trend Toward Mechaization

Some idea of the trend towards farm mechanization in the Tarai may be had from Table II. Per hectare expenditure on bullock labour is about 7.5 times higher on the small farms than on the large farms. However, the per hectare respective expenditure on tractor use, chemical fertilizers and plant protection measures is 1.2, 1.4 and 1.5 times higher on large farms than on the small farms. These items of cost are highly capital intensive and thus expenditure on them is higher on large farms than on the small farms. On the other hand, bullock power is substituted for tractor power on the small farms. One unambiguous conclusion which emerges from Table II is that a Tarai farm owning more than six hectares of land would like to have a tractor and a farm owning 8 hectares or more land, definetely has a tractor, and therefore, is mechanized. Similar findings have been reported elsewhere[6].

The findings in Tables I and II, give rise to the three basic policy issues, viz. (i) how far the concentration of large sections of land on a few farms having strong capital base such as in the Tarai and in other parts of country is socially justified? and (ii) What policy measures are necessary to insure fair wages, without any intermediaries such as a "contractor", to the labourers migrating from one part of the country to the other, and what steps are necessary to improve living conditions of such labourers.

We do not have enough data to throw light on these important policy issues. We can only emphasise that these important policy questions need to be answered quickly by further research work.

Three important conclusions emerge from this article:

(i) The Tarai farmers are highly enterprising.

(ii) The large farmers primarily depend on the hired labourers. The small farmers heavily depend on their family labour for performing various farm operations; and

(iii) The large Tarai farms are highly mechanized. Even the small farmers have gone for the partial mechanization. In the coming years, this large-scale farm mechanization may create unemployment problem for the labourers who migrate in large numbers from the eastern districts of the state.

TABLE II

Expenditure on Vital Inputs on some Tarai Farms: 1969-70

(In Rs)

Item	Small (16)		Large (17)	
	Per farm	Per hectare	Per farm	Per hectare
Bullock labour	1446.02	342.66	1456.60	45.69
Tractor	2026.11	480.12	29389.53	921.88
Fertilizers	2107.34	499.37	22490.38	705.47
Plant Protection	248.22	58.82	2939.02	92.19

NOTE: Figures in brackets show the number of farmers included in the sample.

References

1. The country lying in the foothills of Siwalik ranges of the Himalayas is known as the Tarai belt of Uttar Pradesh. It stretches over about 154 km. from East to West and about 18 km. from North to South and over the parts of the districts of Bijnore, Rampur, Nainital, Bareilly, Philibhit and Lakhimpur-Kheri.

2. For details see: *Changing Agriculture and Rural Life in a Region of Northern India*; (Uttar Pradesh Agricultural University, Pantnagar, India; Research Project, Vol. I, December 18, 1969): Pp. 35-36.

3. Danial Thorner, : "India's New Farms" (The *Statesman*, Calcutta, November 2 to 4, 1967). Ashok Rudra, A Majid and B.D. Talib "Big Farmers of Punjab" (*Economic and Political Weekly*, Vol. IV, No. 39, September 27, 1969), Pp. A-143-146. Daniel Thorner "Capitalist Farming in India" (*Economic and Political Weekly* Vol. IV, No. 52, December 27, 1969), pp. A-211-212. R.S. Rao, "In Search of the Capitalist Farmer, A Comment"; *Economic and Political Weekly*, Vol, V, No. 51, December 19, 1970, Pp. 2055-2056. Utsa Patnaik "Capitalist Development in Agriculture" (*Economic and Political Weekly*, Vol. VI, No. 39, September 25, 1971), Pp. A-123-130.

4. The major source of data used in this paper is a research project entitled "Economies of Scale and Farm Size on Some Grain Farms of Tarai" completed in September, 1971 by the Department of Agricultural Economics, Uttar Pradesh Agricultural University, Pantnagar, District Nainital (India).

5. Ashok Rudra has reported similar results on big farms in Punjab. See for details, Ashok Rudra, "Employment Pattern in Large Farms of Punjab" (*Economic and Political Weekly*, Vol, No. 26, June 26, 1971, Pp. A-89-94.

6. I.J. Singh, "Farm Mechanization in Tarai Agriculture", *Seminar on Farm Mechanization* (Seminar Series No. IX, Indian Society of Agricultural Economics, Bombay, November 1972).

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE DEMANDS for grants of two more ministries—the Ministry of Industrial Development and the Ministry of Heavy Industries—were voted by the Lok Sabha this week. Those of the Ministry of Education and Social Welfare and the Department of Culture were inconclusively deliberated upon.

During the debate on the budgetary demands of the Ministry of Industrial Development, the government came in for sharp attack from both the leftist and the rightest sections of the House. While the latter were unhappy about the increasing curbs being put on the activities of the private sector in the name of socialism—they, however, were not averse to judicious regulation of this sector—, the former assailed the government for not doing enough to check concentration of economic power in the hands of a few. A CPI member went to the extent of saying that the latest industrial licensing policy statement of the government was a "surrender" to the attack of big business. He also expressed the view that the addresses of the Prime Minister and the Minister for Industrial Development to the recent annual session of the Federation of Indian Chambers of Commerce and Industry betrayed an "apologetic attitude" on their part towards the private sector. Some members of the Socialist Forum of the Congress Party were highly critical of the joint sector concept. They alleged that the Minister for Industrial Development had thought of this sector for giving a new lease of life to the industrial giants in the country.

fostering small units

The need for fostering the development of small-scale and ancillary industries on a massive scale was stressed by many. They as well highlighted the various constraints under which small-scale industries were working. Particular attention was drawn by them to the raw material, financial and training requirements of small entrepreneurs. With a view to industrialising the backward areas, it was stressed by several members that besides encouraging small-scale industries there, efforts should be made to put up at least one medium-scale industrial unit in each backward district.

The hold of foreign capital on some industries in the country, particularly the drugs and pharmaceuticals industry was assailed by some members. They pointed out that some of these companies had come to India with only a capital of a few lakhs of rupees but had not only repatriated as dividends several times that amount but had also accumulated large assets.

The affairs of the public sector undertakings under the charge of the Ministry of Industrial Development came in for scathing criticism at the hands of several opposition members.

regulating FMC

A Congress member felt that instead of thinking in terms of banning all speculative trade, the government should devote more attention to improving the working of the Forward Markets Commission and the various control instruments available to it for curbing speculative trade should be put to greater use.

The need for accelerating the research and development effort in the country was emphasised by many. An all-out effort, it was suggested, should be made for becoming economically self-reliant in the next Plan period.

Replying to this debate, the Minister for Industrial Development, Mr C. Subramaniam, revealed that licensing procedures were being streamlined under the new industrial policy to ensure that once an entrepreneur was granted a licence, he would not have to go through various hurdles as at present. In fact, the grant of a letter of intent itself, he felt, should become a golden key for its fructification into an industrial unit. The screening of "desirable" and "undesirable" applicants, he further stated, should be done at the stage of issuing the letter of intent. Thereafter, no obstacles should be put in the way of an entrepreneur by the various departments of the central government, the state governments and the financial institutions. Quoting figures, Mr Subramaniam claimed a distinct improvement in the issue of letters of intent and their implementation. The minister assured the House that he would soon come up with positive proposals for assisting the small and medium-scale entrepreneurs in the setting up of new industries.

role of private sector

Referring to the joint sector, Mr Subramaniam pointed out that the government had come to the conclusion that it was not possible to have only public sector for industrial growth during the fifth Plan. The private sector too, he emphasised, had to play an important role in the establishment of big industries. It, therefore, had to be assisted by the government and public financial institutions. Hitherto, however, he added, assistance to private entrepreneurs from financial institutions had been given in the form of loans and equity participation and the state had not been taking any active interest in the management of the assisted concern. In future, this would not be the case. The principal aim of the joint sector, he stressed, was to make the government effectively participate in the management of large private undertakings with heavy investment which have to be assisted by public financial institutions. Another objective was to neutralise the loyalty of professional managers to larger industrial houses. Under the joint sector concept, the loyalty of professional managers was sought to be shifted to industrial undertakings and their profitability.

Mr Subramaniam refuted the allegation that the industrial policy of the government was heavily weighed in favour of larger houses. During the period 1966-67 to 1970-71, he pointed out, there was practically a licensing holiday. Since 1970, the bulk of the licences issued to the larger houses had been only for carrying on business and not for new capacities.

Referring to the public sector, the Minister stated that 1972-73 had proved to be a turning point in the performance of undertakings belonging to this sector.

Their working had shown a marked improvement in the year.

Taking strong objection to some speeches from the treasury benches, Mr Subramaniam asked his critics to desist from sniping at individual ministers. The ministers, he said, had their say on an issue at the time of discussion in the cabinet meetings, but once a policy had been framed, it was government's policy and the minister in charge of a portfolio had just to implement it. The tendency to snipe at ministers, therefore, ought to be checked. If any one was dissatisfied, it was open to him to get the policy modified.

Earlier, intervening in the debate, the Deputy Minister for Industrial Development, Mr P. Mukherjee, in his maiden speech, refuted the allegation that the government have been soft towards monopoly houses. He defended the new role of the National Industrial Development Corporation as industrial consultants. Along with the other Deputy Minister in this Ministry, Mr Ziaur Rehman Ansari, who also briefly intervened in the debate, he detailed the steps being taken to promote small industries.

improving public sector

The need for improving the working of public sector uudertakings was more forcefully voiced during the debate on the budgetary demands of the newly setup Ministry of Heavy Industries than in the discussion on the demands for grants of the Ministry of Industrial Development. Another highlight of the debate on the affairs of the Ministry of Heavy Industries was a vociferous plea made by most of the leftist members of the House for according participation to workers in the management of industrial units. They also suggested that arrangements should be made to build up a cadre committed to socialism and the philosophy underlying the public sector.

The rightist sections of the House, however, assailed the continuing losses in the public sector undertakings. The low utilisation of capacity in several of these projects was adversely commented upon. The imperative need of expeditiously stepping up the power generation capacity in the country was stressed by some members. Several others championed the cause of the backward areas.

In his reply to this debate, the Minister for Heavy Industries, Mr T. A. Pai, announeed that henceforward 35 per cent of the passenger cars manufactured in the country would be allotted for use as taxis and meeting the requirements of doctors and nurses. The manufacturer's quota in the automobile industry would be totally withdrawn. Matriculates and other educated unemployeds who desired to enter the road transport vocation, would be given a preferential treatment.

The minister also disclosed that the government had decided to encourage the manufacture of commercial vehicles, scooters and three-wheelers. At present, 40,000 commercial vehicles were being produced in the country as against the estimated demand for 80,000 vehicles. By 1974-75, the output of commercial vehicles, Mr Pai hoped, would go up to 50,000 vehicles. With a view to filling up the gap between demand and supply, the government was considering whether Shaktiman trucks, being produced by the Defence Ministry, should be made available for public transport purposes by stepping up their production, if necessary. The output of passenger cars too, Mr Pai stated, would go up next year. The request of Premier Automobiles for stepping up their production by 4,000 cars was being looked into by the government. Standard Motors was expected to raise its output from 1,400 to 2,000 cars. Nearly 30,000 cars were being produced by Hindustan Motors. Six other parties had been given letters of intent for the manufacture of small cars of indigenous design. These letters of intent had to be given because the existing manufacturers had not applied their mind to the development of an indigenous design; their applications for expansion envisaged further foreign collaboration.

Mr Pai further announced that the government proposed to constitute a wagon authority in the near future to see that the capacity for wagon-building was properly assessed and utilised. This authority would also make available the necessary raw materials to wagon-builders. Orders from the railways too would be obtained by it so that the industry could be "sustained". Even export requirement and internal needs would have to be planned on a regular basis by this authority.

Of the 14 wagon-manufacturing concerns in the country, the Minister said, six or seven had become sick. Some had even closed down. The Railway Convention Committee had, therefore advised the railways to be careful in increasing their own capacity in view of the capacity already existing in the private sector. Mr Pai revealed that orders were being passed under the Industries (Development and Regulation) Act to take over one or two wagon-building units.

The first task of his ministry, Mr Pai said, would be to ensure full utilisation of the production capacity already created in the public sector. He felt that with cooperation from workers, the public sector units could be made going concerns.

Referring briefly to the problem of management in the public sector, Mr Pai said, essentially it was a question of industrial relations, There was multiplicity of trade units in every public sector unit. This hindered proper functioning of these plants. Mr Pai, however, wondered whether granting of representation

Eastern Economist 25 Years Ago

APRIL 9, 1948

The long-awaited statement of the Government's policy has been made available at last in the form of a resolution passed by the Dominion Parliament. Embodying a compromise solution, probably the best under the circumstances, it aims at enlisting the widest possible measure of cooperation in the supreme task of stimulating investment and increasing production. Like all compromise solutions it does certainly possess the merit of conforming closely to the requirements of a complicated situation. But its chief gain is that it clears the confusion produced by a spate of mutually contradictory observations and statements. Concretely, it places industries in five categories. Manufacture of arms and ammunition, production and control of atomic energy and the ownership and and management of railway transport will be exclusive monopolies of the State; to these may be added any industry vital for national defence, the river valley multipurpose projects and the manufacture of fertilisers, essential drugs and synthetic oil from coal In the second category of industries, of the nature of basic or key industries, like coal, iron and steel etc. the State will be responsible for all new undertakings.

The existing units will be allowed to continue for a period of ten years, at the end of which the position will be reviewed and the units may be taken over on payment of fair compensation. The third category consisting of a large number of industries like salt, automobiles cement, sugar etc. will be subjected to central regulation and control which will be operated in consultation with the representatives of the provincial and State government, industry and Labour.

to workers on the boards of directors of public sector units would give workers a sense of real participation. He, of course, agreed that workers should be provided all that information about public sector units which was normally made available to directors and members of Parliament.

Another important announeement made by the Minister for Heavy Industries was that indigenous production of tractors would be stepped up so that imports could be eliminated. He disclosed that the highest priority was being given in the matter of allotment of small tractors and power-tillers to the drought-effected states of Gujarat, Mysore, Bihar, Rajasthan and Maharashtra.

ancillary units

Referring to some public sector units individually, Mr Pai stated that the Heavy Engineering Corporation Ranchi, would be breaking even next year when its production would increase to Rs 60 crores. The Mining and Allied Machinery Corporation, Durgapur, too should reach the break-even stage in 1974-75. The Heavy Electricals, Bhopal, which had been incurring losses right since its inception, was expected to show a profit of Rs 3 crores in the year 1972-73. The profit of Bharat Heavy Electricals in this year might be about Rs 5.7 crores. The minister laid a good deal of emphasis on the development of ancillary units. He hoped that entrepreneurs from among the middle and lower middle classes would come forward to set up these units.

During the inconclusive debate on the budgetary demands of the Ministry of Education and Social Welfare and the Department of Culture, the education policy of the government came in for severe criticism on various counts. These included the slow switch-over of the medium of instruction from English to Hindi, the growing unrest among students and teachers and the lack of adequate evenues of employment for the educated. The affairs of the Aligarh Muslim University and the Banaras Hindu University also figured prominently in this debate. Special arrangements, it was suggested by some members, should be made for educating the Adivasis and other tribals through opening central schools in tribal areas.

The following important information was provided by various ministers in the Lok Sabha this week :

(1) There is no proposal under the consideration of the union government for setting up an atomic power plant in Bihar as atomic power generation is costly. While the cost of generation per unit of atomic power is about 10 paise, it is about six to seven paise for thermal generation. In view of the abundance of coal, it would not be desirable to have an atomic power station in Bihar.

(2) The state governments have been asked to divert a fixed proportion of collections from entertainment tax for promoting the construction of more cinemas.

(3) The government will take a decision by May 15 on the report of the Bureau of Industrial Costs and Prices in respect of fair prices of the 24 bulk drugs.

(4) The assets of the foreign controlled monopoly concerns constitute 11.1 per cent of the total assets of the 75 large industrial producers.

(5) The government is thinking of a model law for providing co-operatives with a professional level of management and to confine the role of non-officials, including politicians, in the guidance of policy of co-operation and their general supervision.

(6) A draft agreement received from the British government for arbitration over the transfer of the India Office Library from London to Delhi is still under the examination of the government.

(7) India has expressed its desire to purchase ships, particularly bulk carriers and tankers, from the Soviet Union during the fifth Plan period. The Soviet Union has agreed to consider the request and give its response during 1974.

(8) Hindustan Latex Limited has been asked to shift its head office from New Delhi to Trivandrum where the company's Nirodh manufacturing factory is situated. The government is considering doubling of the installed capaciry of the factory at an estimated cost of Rs 116.5 lakhs.

(9) The government is thinking in terms of raising the installed capacity of nuclear power in the country to 43 million Kws by the end of the century. Much, however, will depend on the manufacturing capability of the industry, the capacity of the electricity grid and transport facilities,

(10) The fifth Plan target for the manufacture of television sets is proposed to be fixed at 500,000 units as against 200,000 to 300,000 units by the end of the current Plan. The manufacture of TV set is proposed to be primarily confined to the public sector and the small-scale area in the private sector. A licence has been given to the Rajasthan State Industrial and Minerals Corporation for setting up a plant in the joint sector for the manufacture of 5,000 sets annually. The government does not intend to standardise at present one single design for TV sets but has fixed a pack value for the sets manufactured in the small-scale sector.

(11) The Cement Corporation of India has a proposal to put up a cement plant at Paonta Sahib in Himachal Pradesh with a capacity of 200,000 tonnes per annum. The project is expected to cost Rs 11.78 crores.

(12) The scheme of preferential rates of interest on loans to the weaker sections of society now covers 265 districts in the country.

(13) The setting up in the country of an international centre, known as "Jute International", is contemplated to meet the heavy and expanding demand for jute and kenaf and also to minimise their consumption.

(14) Air-India is planning jumbo jet services through Dum Dum (Calcutta) early in the fifth Plan period.

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Iran and its expanding economy

IRAN is the fourth largest producer of oil in the world (after the United States, the Soviet Union and Saudi Arabia) accounting for about 9 per cent of world supplies of crude in 1971. As indicated in Table I, production has risen rapidly over the past decade, partly because of the discovery of new fields and partly because of a large increase in demand, particularly from Japan.

About 90 per cent of Iranian crude is produced by the Consortium—comprising British, American, French and Dutch interests—which has rights of exploration, drilling, refining and transportation over a wide area of southern Iran under a 25-year agreement signed with the government in 1954. The state-owned National Iranian Oil Company (NIOC) produces the remaining 10 per cent in partnership with American, British, Japanese, Dutch, German, Italian and Indian interests.

WINDOW ON THE WORLD

In the past three years the government and the Consortium have reached a series of price agreements which have greatly increased Iran's earnings from oil. In 1970 the government's revenue per barrel was about 86 US cents, compared with 75 cents in 1962, but in November 1970 the tax rate on Consortium profits was raised, thereby effectively increasing government revenue to 96 cents a barrel. There followed the Teheran agreement between the world's major producing countries and the oil companies in February 1971, based on successive annual increases in the producing countries' revenues up to 1975. This was followed by the Geneva agreement in January 1972 which compensated the producing countries for the devaluation of the dollar. As a result of all these agreements, the Iranian government's revenue per barrel rose to £ 1.23 in February 1971, to 1.29 in June 1971 and to £ 1.41 in January 1972. Successive future adjustments already agreed will raise revenue to $ 1.63 a barrel by 1975, 90 per cent higher than in early 1970.

The rapid increase in oil revenues has not only contributed directly to the growth of gross national product (GNP), but has also allowed Iran to invest heavily in the development of other sectors. The government spent about Rls 370,000 million on development between 1968-69 and 1971-72, and plans to spend a further Rls 178,000 million in 1972-73 (the final year of the fourth five-year plan). In addition, the private sector was expected to invest about Rls 380,000 million (some $5,000 million) during the fourth plan.

The fourth plan envisaged that GNP would grow by 9.4 per cent a year between 1968/69 and 1972/73 as a direct result of this large investment programme; but in the event growth has been even more rapid than projected mainly because of the sharp increase in oil revenues between 1970 and 1972.

During the first three years of the plan, GNP increased by an annual average 10 per cent and in 1971-72 (when value added in the oil sector increased by about 25 per cent) the growth rate rose to 14.3 per cent. Moreover, preliminary indicators suggest that rapid expansion has continued in 1972-73, with oil production increasing by 13 per cent and both industrial output and total GDP expanding by 12 per cent.

As indicated in the table IV, heavy emphasis has been placed on the development of industry in recent years; the government committed more than Rls 110,000 million to industry and mining during the fourth Plan (compared with a target of Rls 99,000 million) and has given considerable protection to domestic industries by way of tax allowances, tariffs and quantitative restrictions on imports.

rapid growth

As a result, and in response to a strong rate of increase in demand, industrial growth has been rapid (particularly in import substitution areas) reaching the fourth plan annual target of 13.0 per cent in each year between 1968/69 and 1971/72.

Iran now produces a wide variety of industrial goods, including textiles, sugar, cement, vegetable oils, footwear, pharmaceuticals, paper, glass, tyres, steel pipes and building materials. There is also a substantial petrochemical industry, producing fertilisers, plastics, detergents and sulphur, while a steel mill has been opened at Isfahan and there are several vehicle assembly plants.

In contrast, the performance of agriculture has been unsatisfactory in recent years. The fourth plan projected spend- of Rls. 114,000 million between 1968/69 and 1972/73, but actual expenditure will

TABLE I
Oil Production

	million barrels	share in world total per cent
1960	391	5.1
1965	688	6.3
1966	771	6.4
1967	948	7.3
1968	1,043	7.2
1969	1,232	7.9
1970	1,398	8.1
1971	1,657	9.0

probably be less than Rls 90,000 million, while agricultural output grew by only about 2.5 per cent a year in the first four years of the plan compared with a target of 4.4 per cent. Several factors contributed to this shortfall, including droughts and delays in completing irrigation schemes and in introducing modern methods. As a result of this slow growth, agriculture's contribution to real GNP fell from 21 per cent in 1968/69 to 15 per cent in 1971-72.

Progress in the construction sector has also proved less successful than anticipated, because of financing problems and difficulties in obtaining building permits during the early part of the plan period. Despite a sharp improvement in 1971-72

TABLE IV

Fourth Five-Year Plan (1968/69—1972/73)
(Government development spending)
(Rls '000 millions)

	Plan target*	Estimated actual
Agriculture and irrigation	114	88
Industry and mining	99	114
Fuel and power	89	102
Transport and communications	113	127
Construction	23	42
Education and health	49	35
Other	31	39
Total	518	547

*As revised in 1969-70

TABLE V

Industrial Production

(1968=100)

Year to 20 March	1969	1970	1971
Consumer goods			
Non-durables	118	130	149
Durables	122	136	152
Intermediate goods			
Non-construction	102	108	114
Construction	107	141	143
Total index*	114	127	142

*including capital and other goods

owing to a higher level of public spending and a recovery in private investment average annual growth has remained well below plan target.

However, the rapid growth of GNP and investment in recent years has been ac-

TABLE II

Foreign Exchange Earnings From Oil

($ million)

Year to 20 March	1969	1970	1971	1972
Revenues from consortium	817	916	1,071	1,885
Revenues from other foreign companies	31	30	41	85
Rial purchases by foreign oil companies	105	134	125	119
Total regular receipts from foreign oil companies	953	1,080	1,237	2,089
Exports by NIOC	5	19	31	24
Total	958	1,099	1,268	2,113

TABLE III

Gross National Product (at factor cost)

('000 million Rails)

Sector	1971-72 current prices	per cent	Rates of growth: average annual*	Rates of growth: Plan target
Agriculture	177.8	20	2.5	4.4
Oil	156.5	17	16.3	15.3
Industry and mining	136.0	15	13.0	13.0
Public services	125.2	14	20.8	
Domestic trade	73.9	8	7.7	
Transport and communications	48.6	6	9.6	
Construction	46.9	5	5.6	9.9
Real estate	44.8	5	7.4	
Banking and insurance	44.0	5	27.6	
Others	44.6	5	12.9	
Total	898.3	100	11.4	9.4

*1968/69—1971/72 at constant prices

Source: Bank Markazi Iran

TABLE VI

Agricultural Production

(million tons)

Year to 20 March	1969	1970	1971	1972	4th Plan target
Wheat	4.4	4.0	4.0	3.8	4.7
Barley	1.0	1.0	0.88	0.80	1.1
Rice	1.0	1.1	1.1	1.0	1.4
Cotton	0.45	0.50	0.45	0.45	0.6
Sugar beet	3.2	3.6	3.8	4.0	4.5

companied by a substantial rate of inflation, particularly over the past 2 years because of food shortages, a fast expansion of credit and an increae in import prices.

balance of payments

Oil exports are by far the most important source of foreign exchange, particularly since in addition to the industry's regular earnings the Consortium also makes available to the Iranian government advances against future revenues. As a result total foreign exchange receipts from oil have been substantially higher than regular earnings over the past three years.

Other exports include traditional products such as carpets and raw cotton; and non-traditional items, which are becoming increasingly important, notably detergents, clothes, shoes, chemicals an various consumer durables.

In addition, Iran began to export natural gas in 1970/71, when a 700-mile pipeline was opened between the southern oil fields and the USSR border. Gas exports rose from US $ 6 million in that year to $ 36 million in 1971-72 and are expected to increase further to about $ 70 million by 1975-76.

The direction of Iran's oil exports has changed markedly over the past decade as a result of the closure of the Suez canal and a sharp increase in Japanese demand.

The direction of non-oil exports has also changed, with substantial increases in exports to the EEC and Japan.

Imports have also risen rapidly in recent years, especially those of industrial raw materials and intermediate goods. Iran's policy of import substitution has helped to limit the growth in demand for imports of consumer goods however.

There have also been substantial changes in the sources of Iran's imports. Although the Common Market countries (the Six) together remain the most important suppliers, their share of the total market has declined, whereas that of the ECAFE member countries (including Japan) and the Soviet bloc have rapidly increased.

On invisible account, interest payments on public foreign debt have increased markedly because of Iran's increasing reliance on shorter term, and therefore more expensive, loans. However, invisible earnings also rose sharply in 1971-72, partly reflecting increased earnings from tourism during the celebrations of Iran's 2,500th anniversary.

Largely as a result of the rise in oil revenues, the balance of payments current account deficit fell to only $23 million in 1971-72, compared with $674 million in the previous year. Capital inflows also

TABLE VII

Prices

1969/70 average=100

Half-years		Wholesale general	Wholesale local manufactures	Consumer general	Consumer food
1969/70	1	98.7	98.9	99.6	99.9
	2	101.3	101.2	100.5	100.2
1970/71	1	101.6	101.6	100.5	99.1
	2	105.1	106.3	102.4	101.8
1971/72	1	108.1	109.4	105.7	108.0
	2	113.3	114.6	108.5	112.2

TABLE VIII

Foreign Exchange Receipts from Oil

($ million)

Year to 20 March	1969	1970	1971	1972
Regular earnings	958	1,099	1,268	2,113
Advances by consortium	..	83	105	174
Repayments to consortium	..	..	83	105
Bonuses paid by other oil companies	..	1	..	47
Total	958	1,183	1,290	2,229

TABLE IX

Non-Oil Exports

($ million)

Year to 20 March	1969	1970	1971	1972
Carpets	60	69	54	76
Cotton	43	50	57	67
Other traditional	89	105	116	130
Total traditional	192	214	227	273
Non-traditional	25	31	51	72
Total	217	245	278	345

TABLE X

Direction of Consortium's Oil Exports

	per cent of total 1960	1965	1968	1970
Western Europe	47	50	30	24
Japan	3	22	42	48
Other	50	28	28	28
Total	100	100	100	100

TABLE XI

Direction on Non-Oil Exports

Year to 20 March	per cent of total 1969	1970	1971	1972
EEC	18	21	22	23
US	10	10	9	8
UK	4	4	4	3
Japan	3	4	6	6
Soviet bloc	32	39	36	31
ECAFE*	5	3	3	6
Other	28	23	20	23
	100	100	100	100

*Other than Japan and Pakistan.

increased in 1971/72 as a result of a $47 million bonus from new oil companies and an increase in the Consortium advance.

Iran's fifth 5-year plan, aims to increase GNP by 70 per cent in real terms by 1977-78 on a total investment programme of more than Rls 2,200,000 million, and it places particular emphasis on agricultural development and an improvement in the social services in order to reduce income disparities within the economy as a whole.

economic prospects

About Rls 315,000 million is scheduled to be invested in the rural sector in order to raise the average rate of growth of agricultural output to 5.5 per cent a year, from an average rate of less than 3 per cent achieved during the greater part of the fourth plan; specific proposals include development of the irrigation system, expansion of the livestock industry and the improvement of food processing facilities. Now that major land reforms are completed, the number of farm cooperatives is to be increased from the present 4,500, in order to concentrate land and labour into more efficient agricultural units. In addition certain villages are to be selected as development centres and provided with electricity, schools, hospitals and, in some cases, facilities for light industry. The programme is thus designed to improve both the living standards of the rural sector and to slow down the rapid drift of population to urban areas, which has already led to a decline in the proportion of the labour force employed in agriculture from 39½ per cent in 1968/69 to 36½ per cent in 1971-72. In addition 29 per cent of total plan investment will be allocated to the social services including education, housing, health and family planning.

Some Rls 650,000 million is to be allocated to the industrial and mining sectors, where output is projected to grow by over 15 per cent a year. There will however be more emphasis than in past plans on export promotion and labour intensive production with a view to creating some 1.4 million new jobs; but since there are also several heavy industrial projects in progress or already apporoved the fifth Plan is expected to allocate up to Rls 200,000 million to large scale industry, including expansion of the Soviet-built steel mill at Isfahan and the opening of a rolling mill. Other plants under construction, or planned, include an aluminium smelter, a machine tool factory and a heavy engineering complex.

The main project in the mining sector will be the exploitation of copper deposits at Sar Chesme, near Kerman, where reserves are estimated at 400 million tons and the ore to possess a 1.2 per cent metal content. The development of the mine itself will cost about $400 million and is to be undertaken by the government with the technical services of a US company.

In the power sector, the government is to build three more dams, but it is likely that most other new power stations will be thermal, now that the majority of good

TABLE XII

Imports

($ million)

Year to 20 March	1969	1970	1971	1972
By Category				
Intermediate goods				
for industry mines	642	737	845	1,111
for construction	147	153	146	139
other	68	97	78	86
Total	857	987	1,069	1,336
Capital goods				
for industry/mines	239	316	264	317
other	137	71	127	166
Total	376	387	391	483
Consumer goods				
Total	156	168	217	242
Total	1,389	1,542	1,677	2,061
By Source				
	per cent			
EEC	39	34	36	33
US	16	14	13	14
UK	13	12	10	11
Japan	10	11	12	13
Soviet bloc	7	12	12	11
Other ECAFE	4	5	6	6
Other	11	12	11	12
	100	100	100	100

TABLE XIII

Balance of Payments

($ million)

Year to 20 March	1970	1971	1972
Oil receipts	+1,099	+1,268	+2,114
Exports	+231	+259	+364
Imports	—1,729	—1,986	—2,312
Official interest payments	—70	—97	—110
Invisible earnings	—84	—118	—79
Current account balance	—553	—674	—23
Capital: official loans	+374	+371	+372
from oil sector	+84	+22	+117
private	+24	+41	+37
Errors and omissions			—24
Monetary movements	—71	—240	+479

hydroelectric sites have been developed. It is nevertheless expected that total generating capacity will be raised by about 2,700 megawatts during the plan period. At the same time the transport system is to be expanded further by the building of several new roads and the improvement of others; a new international airport is planned; the ports of Bandar Abbas and Bandar Shapur are to be developed; and there are plans to lay more than 1,000 kilometres of new railway lines during the next five years and to invest heavily in new locomotives and rolling stock.

TABLE XIV

Fifth 5-year Plan Growth Targets: 1973-74—1977-78

	Average annual rate of growth %
GNP-Current prices	15
GNP-Constant prices	11½
Agriculture	5½
Oil	12½
Manufacturing	15
Mining	23½
Water and power	17
Construction	11
Services	11

The fact that planned investment expenditure between 1973-74 and 1977-78 is more than twice the current level of GNP —and is also more than the total value of the investment undertaken over the past 25 years—clearly indicates that a massive financing programme will have to be undertaken during the period immediately ahead. Moreover, whereas in the past overspending on large projects has often been accommodated by the postponement, or cancellation, of smaller projects, the change in sectoral priorities evident in the fifth plan may well make such a policy less appropriate in the future.

However it is expected that nearly half the planned investment will be financed by oil revenues. Oil production is expected to double from its present rate of 4 million barrels to 8 million barrels a day by the end of the plan. At the same time revenue per barrel will, as previously noted, rise to at least $1.63 by January 1975 under the terms of the Teheran and Geneva agreements with the result that the government currently envisages that oil revenues during the plan period will prove sufficient to finance 75 per cent of public sector investment.

Despite this increase in oil revenues, Iran's current account deficit is likely to deteriorate over the next few years. Merchandise imports, payments on invisible account and the servicing of existing external debt are expected to total $30,000 million over the five-year period, compared with projected current account receipts of $27,000 million. In order to meet this deficit and to repay outstanding loans, Iran may have to borrow as much as $8,200 million externally during the plan. A substantial proportion of this latter figure (which may be compared with total external loan financing of some $1,650 million during the fourth plan) is again likely to be raised direct from private sources through the world's capital markets.

However, the main burden of servicing this new debt will not fall until after the end of the 5th plan in 1978, by which time oil revenues could well have risen to an annual total of $7,000 million. Even the figure could prove conservative following the government's recent announcement that it does not intend to renew the agreement with the Consortium beyond it expiry date in 1979. But at the time of writing the Consortium had not made a public response to the alternatives which the government has since put before it of (a) accepting a rapid take-over and the signing of a new agreement under which it would be treated as a long-term favoured customer able to buy oil at preferential prices; or (b) continuing to operate under the present agreement until 1979, after which it would be treated as any other customer without special privileges.

foreign investment

There are no general rules regulating the investment of funds in Iran, and foreign private investment is actively encouraged by the Iranian government. The law concerning the Attraction and Protection of Foreign Investments in Iran provides, *inter alia*, that such capital is subject to the legal protection of the government and that all rights, exemptions and facilities accorded to private productive enterprises will be applied to foreign capital and firms; the repatriation of profit; and the transfer abroad of capital (including retained profits) is likewise guaranteed.

Over and above these liberal provisions however, government policies are now based on the principle that foreign investors should only hold minority interests in enterprises outside the agricultural sector and that in the light of an economic policy which seeks to promote exports of non-traditional products, potential foreign investors may, in some cases, be called upon to undertake to export a predetermined proportion of their production. It may also be noted that in order to promote the development of a local capital market, large enterprises are currently being encouraged to offer part of their capital for public subscription.

TABLE XV

Inflow of Foreign Private Capital and Loans through CAPFI 1956-57-1971/72

	Rls '000 million
By country	
US	6,677
Germany	1,592
UK	1,433
France	715
Belgium	274
Italy	271
Netherlands	250
Other	1,457
Total	12,669
By Industry	
Petrochemical	2,317
Rubber manufacture	2,057
Chemical	1,852
Mining	1,550
Metallurgical	1,104
Electrical and electronic	1,121
Motor and transport	658
Other	2,010
Total	12,669

Specific incentives available to potential foreign investors include export incentives (e..g. rebates on import duties on materials used in production for export and various interest rate and other subsidies) and regional incentives designed to encourage development outside a radius of 120 kms from Teheran. These incentives are subject to negotiation, however, and their availability depends in large measure on an assessment of the foreign investors' likely contribution to the local economy. Virtually all applications for foreign investment are processed through the Centre for the Attraction and Protection of Foreign Investments (CAPFI), a government agency affiliated to the Bank Markazi Iran. Details of specific sectors of the economy in which foreign investment is likely to be particularly welcome during the forthcoming five-year plan were recently made available in a special CBI report.

Import regulations are revised and modified annually but policy in recent years has been largely directed to stopping and discouraging the import of certain goods

where local production is possible; the import of a number of other products of a non-essential nature is prohibited outright, for the same reason.

The import of all other products is controlled by prescribing differing terms of payment. Essential goods may be imported by means of documentary collections, but if such goods are productive machinery, the tenor of drafts should not exceed four years from shipment date. In the case of essential goods other than machinery, the maximum tenor of drafts is two years from the date of shipment.

Less essential goods must be imported against letters of credit opened through authorised banks. Importers must also lodge local currency deposits (determined by the value and classification of the goods covered by the order) such deposits being held by the Central Bank until the goods have cleared through Customs, at which time they are refunded against presentation of the Customs release order.

Imports are also subject to prior registration as well as the advance payment of a non-refundable fee to the Bank Markazi Iran, such payment again being determined by the invoice value of the goods concerned.

Courtesy: Economics Department of National & Grindlays Bank (London).

Money causes discord

E. B. Brook
Vienna.

It is no new discovery that trade, money and politics are inextricably mixed; the fact was never clearer than at present. The past month has been proliferic in meetings to try to steady the international value of currencies, to agree on new levels for prices of agricultural products within west Europe's Common Market and to arrive at some approach to understanding between the Market and the USA on new terms of trading now that the European Six have become the Nine—more precisely, now that Britain is a member of the Market. The other established fact newly illuminated is that the affairs of Europe and of the USA are so intimately tied up that their politics are also continuously interactive. The number of people in Europe, and possibly in the USA, who do not yet appreciate this fact is both surprising and a trifle alarming.

mutual accusations

Nowhere has this lack of realisation of the one's need of the other been more illuminated than recently in Amsterdam where the recently little known body called the European Movement entertained over 350 delegates from the Market countries and the United States to hear a series of leaders' speeches which took all too much the form of mutual accusations. The conference broke up in a confusion and discord which accurately reflected the present conditions of relations between the two Atlantic trading blocs. The Europeans, asserted Mr George Ball, the former US Under-Secretary of State, had become too parochial and had allowed themselves to be regarded as so comparatively unimportant that they now exert little more than a regional influence.

In the USA, there was a shift away from the Atlantic alliance policy towards a kind of unilateralism. The attitudes of west Europe and the USA towards one another were deteriorating and some Americans were beginning to think it would be wise to try and weaken rather than strengthen European unity.

It is reasonably clear what factors have brought about this drift apart, the process began at least ten years ago and has recently been intensely sharpened first by the Market's policy of striving for trade agreements on specially advantageous terms with much of north Africa and the whole of the Mediterranean littoral— to the detriment of US commerce—and the enlargement of the Market which has presented the Americans with a formidably bigger commercial conglomerate with world-wide ramifications consisting largely of units whose currencies are nowadays constantly in crisis requiring some modifications of the US attitude towards both gold and the basic theory of international exchange. Both trade and money values are in the melting pot—the one hoping for some measure of solution in new GATT discussions beginning in September and the other in the IMF conference in Nairobi later in the year.

watchfully jealous

In west Europe the enlargement of the Common Market has made for discord rather than the amity its expansion suggested. In the United States some current policies turn towards areas until relatively recently outcast in the American mind —the Soviet Union and China — and there is an uncertain, rather worried, transfer of concentration from the Atlantic to the Pacific areas. West Europe, notably West Germany and France, who have allowed their economic relations with the USSR and, more recently, with China to grow in the decade when the USA left them strictly alone, sees this burst of American interest in areas of profit difficult to calculate with considerable misgiving. Contentious within itself, the Market is watchfully jealous of both American and Japanese advances towards the communist world.

Not the least constituent of current world worries is the unpredictability in both politics and commerce of the communist world, an area, all told, about one-third of the world's surface known to be rich in natural gas, oil and sources of electrical power so badly needed by the most intensely industrially developed nations. This unpredictability is a source both of division and protective unity between the three other economic blocs— west Europe, the USA and Japan: once there is more certainty about the fourth, communist bloc, the co-operation between the other three may well be under threat.

US role

But for some years to come west Europe and the USA need to agree on a new system to replace that of the war-healing Bretton Woods system which recognises the immensely important role the United States plays in world trading. Broadly speaking, whatever arrangements the west Europeans make for their currencies and for their commerce they must be at least basically acceptable to the USA. To do otherwise might inconvenience the USA; it would certainly hurt Europe. This might very well mean adopting a monetary system that took the strain off the US dollar and withheld it from any European currency—the probable answer being the Special Drawing Rights of the IMF.

Whatever system is devised would also have to take into account the fact that, as the western world seeks ever more urgently sources of industrial power the oil-producing countries of the Middle East, with few international responsibilities, will hold ever vaster currency reserves with which they would play havoc with the international monetary system. Their ability to move quite suddenly huge blocks of money will very soon exceed that of the most powerful multinational companies. Both west Europe and the USA have awoken to the necessity to control international monetary flows as

well as create a new reserve asset that is truly international.

The latest meeting of the IMF's Committee of Twenty achieved not much more than to require its deputies to present reports by May 23 on special studies in capital flows and "objective indicators" to help balance in international economic transactions. The most important financial leaders were worried at the meeting's visible lack of success to get substantial moves even started towards monetary reform. Time and the balance of huge liquid funds will not wait indefinately for academic studies, set speeches or tactful avoidance of giving offence. The slow pace of progress towards monetary reform is a matter of concern for anyone with any money at all.

It is unlikely that anyone now fails to realize that international economic policy is the central political issue in transatlantic and worldwide relations. It is equally unlikely that leaders in the USA and west Europe will allow economic and monetary disorders or the uncertain prospects of trade with communist states to blow the Atlantic alliance and the non-communist world apart.

Fortunately, despite many differences over detail and some basic principles, the United States, Britain and West Germany have much common ground on economic and monetary fundamentals and that, within the Common Market, the common interestsof Britain and West Germany are extensive. These wide areas of basic agreement should be sufficient to overcome existing divergences about the utility of fixed-but-adjustable exchange rates. If these divergences can be resolved the way might be wider open to re-making both the Common Market's and the world's monetary systems sufficiently flexible and stable to withstand the strain of sudden movements of huge sums from one currency to another and to instill sufficient confidence to encourage reasonableness, even some generosity, into tariff and other trade controls.

While it argues within itself about farm product prices the Common Market would serve its own interests best at the all-important GATT talks opening in six months time by agreeing to minor concessions to US demands for compensatory trade to offset the Market's enlargement, to permit freer farm product trade policies and even to back-peddle a little on its recent trade agreements with European and other non-member countries. There might be some US concessions in return; but if west Europe is not forthcoming some barriers might go up across the Atlantic and US interests turn increasingly eastwards across its other coastal ocean.

Industrial serfs of South Africa

Hardev Singh

A STUDY of British companies in South Africa undertaken by Mr Adam Raphael of the *Guardian* has brought into focus the sad plight of African industrial labour. The study has revealed that out of the 100 British companies, only three—Shell, ICI and Unilever—were paying their African employees wages that would buy their families the required essentials of life. All others paid too little to cause diseases of malnutrition among the workers and their families. Mr Raphael has quoted a large number of company directors and others from chambers of commerce and from labour organisations, and has provided substantial evidence in support of his thesis. In fact the recent strikes which seriously threatened Durban's industry, in spite of repressive laws that prohibit strikes by the African workers, confirmed the state of desperation in which they live.

Various organizations, including the trade union council of South Africa, have recommended a minimum weekly wage of £10, which would bring an average African family of five along the 'Poverty Datumn Line' (PDL). These wages assure the required housing, food, transport, fuel, clothing and cleaning, but nothing by way of sports, entertainment, tobacco, drink or anything not strictly necessary for subsistence. The PDL wages, therefore, specify that the entire amount has to be spent on essentials of life to keep away starvation and illness. It has been estimated that to bring the average wages even to the level of the PDL would require doubling the present wages of tens of thousands of bottom-rung workers, who invariably are Africans.

The campaign has already aroused opinion in favour of the African labour. More than 100 labour MPs called for a Commons debate on the wages paid by the British companies in South Africa. They signed a motion 'noting with disgust the low wages paid by British firms' in South Africa. Mr James Callaghan, the shadow Foreign Secretary, told a meeting of the Parliamentary Labour Party that the opposition might press for a Select Committee or some other form of official investigation. In fact Mr Edward Heath, Britain's Prime Minister, agreed that the move could not be ruled out. He, however, tried to avoid any move on behalf of the government by taking the stand that it was eventually a matter for the Commons and not for the government.

Apart from the humanitarian considerations raised by the *Guardian* report of near starvation wages, Mr Callaghan stated that there were also important issues of trade union representation and recognition involved. The international committee of the TUC of Britain has, therefore, decided to send a delegation to South Africa to study the prevailing conditions at the invitation of Mr Arthur Grobbelaar, Joint Secretary of the TUC of South Africa.

Some companies also reacted vigorously. For instance Lord Kearton, chairman of Courtaulds, has ordered two senior executives to fly to South Africa to investigate conditions on the company's timber farms in Natal. The chief medical officer and the director in charge of South African pulp interests have been asked to go there and make a thorough study. It may be pointed out that a report prepared by the University of Natal's students wages commission at the request of the *Guardian* found living conditions 'apalling' at the Beaumont Wattle Estate owned by a subsidiary of the Courtaulds.

The *Guardian* report has inspired varied comments from people who have known South Africa intimately. Mr Ralph Horwitz, who for a long time was the Editor of *South African Industry and Trade* and was a member of the committee of South African Industry, revealed that South African legislation, and not the job reservation clauses, deprived Africans (ex-

cept a tiny minority) of every legal right to choose for whom they work, where they work and what they work at. Apparently the administrative control over their freedom of movement reduced these workers to industrial serfs.

A solution to this sad situation could not be found, as it has been suggested by some commentators, by pressurising the British companies to withdraw from South Africa. On the other hand, increased investment in industry and improved living conditions for workers, could prove an effective challenge to apartheid policy of the South African government. The views of Mr Neil Hepburn, Director, study project on External Investment in South Africa, London, therefore were meaningful when he pointed out that the whole social and economic structure of South Africa (and of much of the rest of Africa south of the equator) was bound up directly or indirectly with the level of foreign investment in South Africa. He added that one of the implications of increased investment would be a diminution of oppression.

From the point of view of the industry it has been stated that Mr Raphael's report did not take into account the fringe benefits that were provided by the industry to its workers. In most of the cases these included pension funds, sickness payments, medical facilities, free transport and houses provided for married employees which were costing the companies millions of rands.

While this debate has tended to revolve round the financial payments made to African labour in comparison with other workers of these companies, few details have been made available regarding the actual living conditions of the African labour. Mr Rapheal's study contains only a few paragraphs from a report prepared by the students wage commission regarding only one farm owned by the Courtaulds. The report says: "In open compound on Newlands Estate near Pietermaritzburg, seven women had to live, sleep, and eat in a bare room measuring 10 ft by 15 ft. The only washing facility was a cold tap 30 yards away. Many of the timber workers were in rags and said they could not afford to buy clothes. No sick leave or holidays are given to the lowest paid—the vast majority of the work force. If unable to work because of bad weather which is frequent, they get paid nothing".

Here is another: "One man, aged 50, who hurt his foot while loading a lorry, said he had not been paid for nearly three months. 'My children are getting very sick,' he said. 'They are sleeping on the floor and dying. I can't do anything except pray to God'."

Save with grace

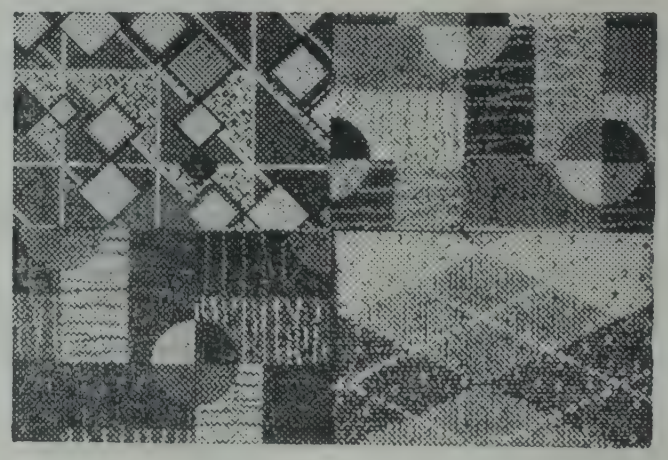
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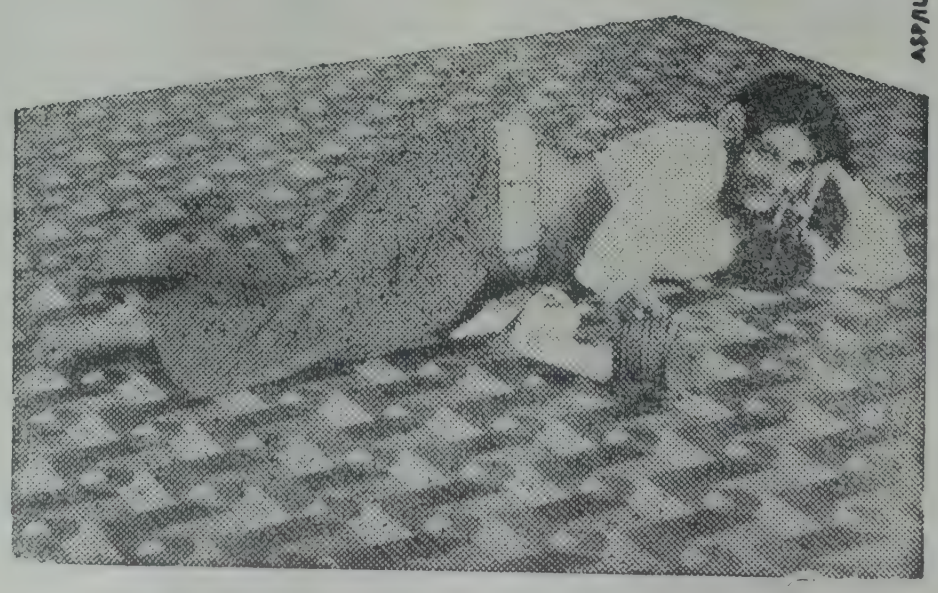
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TRADE WINDS

New Import Policy

THE UNION Minister of Commerce, Prof D.P. Chattopadhyaya, laid on the table of Lok Sabha government's Import Policy for 1973-74, on April 2. The new policy envisages priority treatment to imported inputs in case of 11 more industries. Import of raw materials and components will now be allowed on the basis of consumption to 70 industries as against 59 priority industries hitherto. A dominant role for the public sector in import trade, creation of opportunities for generating more employment, special facilities for small-scale industries, facilities for research and development, enlargement of the scheme of compulsory export obligations, a higher entitlement for import of machinery against replenishment licnces and benefits to indigenous producers supplying raw materials to exporters at international prices are some of the significant features of the new import policy.

The main features of the 1973-74 Import Policy are: (i) The role of the public sector agencies in imports has been further expanded. In addition to normal imports, the STC will be allowed to import books to meet the growing requirements of universities, libraries and institutions: (ii) Priority treatment will be given in the matter of allocation of imported raw materials in the case of 11 more industries; (iii) The policy of need-based replenishment of imported raw materials will continue to be followed for meeting the requirements of priority industries; (iv) The scheme of compulsory export obligations has been extended to more industries; (v) Facilities have been provided for import of equipment and raw materials required for research and development; (vi) The DGTD units have been allowed to apply directly to licensing authorities for release orders in respect of canalised items. Such applications will cover only 25 per cent of the annual requirements, for non-steel items.

EEC Mandate

The foreign ministers of the European Economic Community gave the mandate to the EEC commission to enter into negotiations with India on her trade problems with the enlarged community. A spokesman of EEC indicated at the end of the two day meeting of the council of ministers that the mandate would cover ultimate evolution of an economic co-operation agreement between India and the community. At the immediate stage the talks would be on defining the framework of an agreement which would consolidate the already existing sectoral agreements. The mandate also envisages establishment of a joint commission which would have "limited competence" of considering possibilities of evolution of these agreements and development of agreements.

The decision of the council of ministers ends a long suspense over he future of relations between the community and India. The agreement is to cover the following points (1) Incorporation of accords on cotton textiles, jute and other sectors previouly concluded between the EEC and India. (2) Consolidation of tariff cuts granted by the EEC on various small items like tea and pepper. (3) Incorporation within the EEC agreement of the trade side of bilateral deals between India and EEC member-countries. (4) Formation of a mixed commission to superwise the coming agreement. The commission will also make appropriate suggestions for increasing trade.

India-EEC Talks

This country presented its case before the European Economic Community delegation at the GATT in Geneva recently for compensation for the loss to her exports caused by Britain's entry into the European Common Market. The Indian Ambassador at Brussels, Mr B.R. Patel, told the Community representatives that it was mandatory requirement under the GATT that Commonwealth Preferences shall not be affected by the formation of customs union or of free trade area. Mr Patel added that Article 24 of the GATT made it clear that elimination, or adjustment of such preferences consequent on the enlargement of the Community must be a subject of negotiations with the affected contracting parties.

This country is seeking corrective and compensatory measures in the wake of Britain's entry into the community primarily in regard to products like jute and coir goods, unmanufactured tobacco and oilcakes. This country's case was being taken at a propitious moment becaue the Community's Council of Ministers had just given its mandate to its commission to enter into bilateral negotiations with India for concluding a commercial co-operation agreement.

International Monetary Reform

The Finance Minister, Mr Y.B. Chavan, has expressed satisfaction that the Committee of 20, which met recently in Washington to consider reform of the international monetary system has affirmed that the exchange rate regime in the reformed system, should continue to be based on stable but adjustable par values. However, said the Finance Minister, there is a strong sentiment in favour of greater exchange rate flexibility than in the past and even though the par value system is likely to be retained, the developing countries will have to learn to live with the consequences of more frequent changes in exchange rates in the future.

Mr Chavan was making a statement in Lok Sabha on the recent discussions in Washington which he attended. Referring to the Ministerial Meeting of the Group of 24 developing countries which took place a few days earlier than the meeting of the Committee of 20, the Finance Minister said India attaches great importance to work of the Group of 24 for it is only when developing countries are united that their voice is likely to be felt in the forums of the Committee of 20. On our part, he said, we shall make every possile effort to sustain the unity of developing countries in our common quest for a new monetary system which will be more responsive to the needs of developing countries.

US Trade Mission

The 12-man American Trade Mission sponsored by the United States Department of Commerce, called on the Railway Minister, Mr L.N. Mishra, in New Delhi recently at the end of their exploratory discussions with the Railway Board and individual officers. The Mission was studying the possibilities of promoting sales of American railroad equipment. Mr Mishra told the members of the Mission that India a developing country had ambitious plans for complete self-reliance and much progress had been made in that direction. India, however, was interested in promoting and strenghtening friendly relations with the United States, particularly in the economic field. Mr D.R. Henderson of US Department of Commerce, who was leading the Mission, expressed his appreciation for the co-operation extended to the Mission by the Railway Board in their task of finding out

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iable trade opportunities. The members of the Mission, who represent, some of the most important manufacturers in the field of railroad equipment in the United States, had learnt a lot during the stay.

Trade with Poland

A trade protocol was signed by Prof D.P. Chattopadhyaya, Minister of Commerce, and Mr Edward Sznajder, Minister of Home Trade and Services for Poland recently in New Delhi. The protocol envisages substantial increase in the Polish purchases of Indian cotton textiles, synthetics, including readymade garments, knitwear etc. during 1973. Other commodities, which Poland would buy in larger quantities are — deep freezers, refrigerators: and compressors for domestic and commercial use, cosmetics, toiletries and detergents, including soaps, EPNS, German Silverware and cast stainless steel cutlery, stationery, including mathematical instruments etc. India has indcated its long-term interest in the increased supplies of fertilisers, sulphur and non-ferrous metals by Poland. Both sides have shown interest in the conclusion of long-term arrangements for the supply of commodities of mutual interest. The first meeting of the Indo-Polish Committee on Trade Exchanges was held in New Delhi from April 2 to 6, 1973. The Joint Commission was established on January 14, 1972 by an exchange of letters during the visit on Mr Jan Mitrega, Vice-Chairman of the Council of Ministers of Poland.

The Joint Commission has set up three committees—on Trade Exchanges, Mining and Construction of Mining Machinery and Heavy Industry. The first Session of the Joint Commission is scheduled to be held at Warsaw in June this year. The Indian delegation would be led by the Minister of Steel and Mines, Mr S. Mohan Kumaramangalam. Other matters on which views were exchanged between the two delegations were: production co-operation in the fields of textile industry, leather industry and food processing industry, establishment of joint ventures and the conclusion of a new long-term Trade and Payments Agreement on the expiry of the current agreement.

Marine Fisheries

An agreement on co-operation in marine fisheries between India and Poland was signed recently. It provides for co-operation in selected fisheries sectors and is expected to speed up the implementation of programmes to develop the deep sea fishing industry in the country. Under the agreement joint ventures will also be undertaken. The Polish government will provide scientific and technical assistance and impart training to Indian personnel in marine fisheries development. The agreement was signed by Mr Fakhruddin Ali Ahmed, Minister of Agriculture, on behalf of the government of India, and Mr. Jerzy Szopa, Minister of Shipping, on behalf of the Polish Peoples' Republic.

Order for 25,000 Wagons

The Railway will shortly order about 25,000 additional wagons under the 1973-74 procurement programme. Bulk of the wagons to be ordered will be against the requirements during the fifth Plan period beginning April, 1974. These additional orders will be over and above 28,600 wagons which the industry has to deliver against orders placed by the Railways so far. This includes an order for 15,000 wagons in the last financial year against fifth Plan requirements. In 1972-73, the manufacturers in the private sector delivered about 9,000 wagons to the Railways and nearly 1,800 units were produced by the Railway workshops. It is hoped that with the further incentives provided by the Railays, the procurement will increase to about 17.000 wagons during the current financial year. Since the end of 1971 the Railways have been providing incentives to the wagon builders to check the steep decline in production, including adequate advance orders. Bulk imports of steel and wheel sets are being arranged in a phased manner in view of the shortfall in indigenous production. It is hoped that production of the private builders will go up to 13,500 units during 1973-74 as against around 9,500 last year.

Government are also taking steps to revive production in some of the units which have almost ceased production for a considerable time. The management of two of these units may be taken over under the Industries Development and Regulation Act and the Railways have agreed to provide managerial and technical expertise for putting the units back on their feet. At the same time, steps are being taken by the Railways to increase the capacity of the three Railway units—at Amritsar on the Northern Railway, Golden Rock on the Southern Railway and Samastipur on the North Eastern Railway. The present capacity of the three shops is expected to be doubled from 2,000 to 4,000 wagons.

New Textile Cess

The union government on April 6, proposed in the Lok Sabha a cess not exceeding one per cent *ad valorem* on all textiles other than hand and powerloom products. A Bill seeking power to levy the cess as an excise duty was introduced in the House by the Minister for Commerce, Mr D.P. Chattopadhyaya. The levy has been sought to augment the resources of the textiles committee which is to be expanded to meet the growing pre-shipment inspection requirements of textile exports.

State Budgets

The total deficit revealed in the annual budgets of different states presented so far amounted to Rs 261.92 crores, Minister of State for Finance Mr K.R. Ganesh, told the Lok Sabha. While the regular budget for Assam had not yet been presented the deficit in the Tamil Nadu budget was negligible. Except Andhra Pradesh, which showed a surplus of Rs 0.8 crores, all the other states had shown deficits. Bihar led them all with a deficit of Rs 38.47 crores followed by Mysore (Rs 36.14 crores), Maharashtra (R.s 33.32 crores), Kerala (Rs 30.66 crores), Punjab (R.s 24.94 crores), Rajasthan (R.s 24.19 crores) and Madhya Pradesh (R.s 18.30 crores). Mr Ganesh said only the Mysore government and approached the centre for financial help.

Fish from Bangladesh

The union government has issued a Public Notice relating to trade with Bangladesh anouncing that the word 'fresh fish' mentioned in the earlier Public Notice of April 20, 1972, will also include 'dried fresh water fish-salted or processed'.

In accordance with the provisions made in Annexure II to the Public Notice issued on April 20, 1972, import of fresh fish is allowed into India from Bangladesh for a value of Rs 900 lakhs through the Central Fisheries Coproration under the Limited Payment Arrangement.

Single State Wheat Zones

The union government has issued orders creating new Wheat Zones in the country to procure the maximum quantity of marketed surplus wheat. This follows a decision of the government to take over the wholesale trade of wheat in all the states from the current Rabi season. Under the two orders issued, both effective from April 1 and 2, 1973, respectively. the government has constituted in each state and each union Territory in the country into one Wheat Zone by itself. However, some union territories and some parts of the areas of the union territories have been grouped together with some states to form composite Wheat Zones. They are : (i). The state of Andhra Pradesh and the area comprising Yanam in the union territory of Pondicherry. (ii) The state of Gujarat, the union territory of Dadra and Nagar Haveli and the areas comprising Daman ane Diu in the union territory of Goa,

Daman and Diu. (iii) The state of Kerala, the union Territory of Laccadive, Minicoy and Amindivi Islands and the aress comprising Mahe in the union territory of Pondicherry. (iv) The state of Maharashtra and the area comprising Goa in the union territory of Goa, Daman and Diu. (v) The state of Punjab and the union territory of Chandigarh. (vi) The state of Tamil Nadu and the areas comprising Pondicherry and Karikal in the union territory of Pondicherry. (vii) The state of West Bengal (excluding the areas in which the West Bengal Rationing Order, 1964, is in force) and the union territory of Andaman and Nicobar Islands.

Under the Inter-Zonal Wheat and Wheat Products (Movement Control) Order, 1973. export of wheat and wheat products excluding bran, from any place inside any Wheat Zone to any place outside, and the import of such wheat and wheat products from any place outside to any place inside the Wheat Zone is prohibited, except with the permission in writing of the central government or of any offices authorised in that behalf by the central government. The prohibition, however, does not apply to the export or import of wheat or any wheat product by the FCI and approved agencies and by a *bona fide* traveller in quantity not exceeding 5 kilograms in weight in the aggregate as part of his luggage.

Under these orders any police officer not below the rank of Asstt. Sub Inspector or any officer authorized by the central/state governments can stop and search any person or any boat, motor and other vehicle or any receptacle used for transport of contraband wheat or search or examine any place and seize any stock or any packages or the animal, vehicles, vessels or other conveyances which will be forefeited under the provisions of the Essential Commodities Act, 1955 (10 of 1955) and also examine and seize any book of accounts or documents, for the purpose.

Technical Assistance for Tanzania

The National Industrial Development Corporation Ltd, a consultancy organisation of the union government, has concluded arrangements with the National Development Corporation of the government of Tanzania to render technical assistance to the latter for the various industrial development programmes in Tanzania. The National Industrial Development Corporation (NIDC) has entered into a five year technical assistance Agreement with the National Development Corporation of Tanzania. Under this Agreement, NIDC, India, will provide various types of consultancy services and experts to NDC, Tanzania. Arising out of this General Agreement, NDC, Tanzania, have entered into contracts with NIDC, India to study the modernisation and expansion of the existing steel re-rolling mill at Tanga, to prepare a detailed plan for the establishment of the machine tool industry in Tanzania, to evolve a scheme for the manufacture of agricultural machinery and farm implements in that country and to advise on the most appropriate organisational set-up for the National Steel Corporation of Tanzania for distribution of steel within the country. The National Development Corporation of Tanzania, a parastatal organisation, is spearheading their government's plan for speedy and planned industrialisation of Tanzania.

Indo—Hungarian Talks

A Hungarian delegation led by Mr J. Drecin, Deputy Chairman, Hungarian National Planning Bureau arrived in New Delhi on April 1, 1973. During its 9-day visit the delegation held discussions with the Indian delegation led by Mr M. S. Pathak, Member, Planning Commission on matters of economic co-operation between the two countries. Among the areas of interest that came up for discussion were; the planning process, power industry, metallurgy, chemical industry, coal mining, machine building industry, telecommunications, instrument industty, textile machinery, and food industry During their stay the leader and the delegation called on various uuion ministers and had discussions on various subject.

Dutch Assistance

Discussions have been concluded on implementing the financing asssistance extenden by the Neiherlands to India for the year 1973-74. The Netherlands has given this country a General Purposes Credit for 1973-74 of DFL 68 million (Rs 15.25 crores). This will be on the usual soft terms; repayment will be over a period of 30 years with a grace period of eight years and the rate of interest will be 2½ per cent.

The Netherlands has also agreed to allocate an amount of DFL 25 million (Rs 5.61 crores) for lerge value projects on which disbursements will occur over the next two or three years. This amount will be debited against the credits to be actually provided for the respective years.

Evolution of Railway Policy

The Minister for Railways, Mr Lalit Narayan Mishra, will hold a series of zonal meetings to discuss the problems of the different zonal railways and to evolve Railway policy. The first meeting was held at Muzaffarpur on the North Eastern Railway, on March 17, 1973. Mr Mishra will hold similar meetings at Patna, Gauhati, Kanpur and Bombay, when the problems affecting the Eastern, Northeast Frontier and Western and Central Railways will be considered.

Members of Parliament and State Legislatures of the zone concerned as well as members of the Zonal Railway Users' Consultative Committee are invited to attend these meetings. Mr Mishra had stated in his budget speech that he would involve Members of Parliament and of the state legislatures more closely with the evolution of Railway policy and in seeking specific solutions to the zonal problems.

International Marketing

The traditional pattern of international trade in developing countries was changing and these countries were trying to find export outlets for their manufactures. In this context, the developing countries should share their ideas and experiences. This was stated by the Commerce Secretary, Mr B.B. Lal, in his Valedictory Address at the Indian Institute of Foreign Trade, recently. The 8-week 'Inter-Regional Programme on International Marketing', organised by the IIFT, was attended by 19 business executives—13 from foreign countries and six from Indian trade organisations such as Minerals and Metals

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD.

(Incorporated in England)

NOTICE

Notice is hereby given that the Board of Directors of this Company at a meeting held on 4th April, 1973 have declared payment of an Interim Dividend on the Company's Ordinary Stock for the year ended 31st March, 1973 at the rate of 4% gross. Payment will be made on 30th May, 1973, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 30th April, 1973.

Applications for transfers received in this office before 12'o clock noon on Monday, 30th April, 1973 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

By Order of the Board
S. K. Niyogi
SECRETARY,

VICTORIA HOUSE,
Calcutta 1.
5th April, 1973



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Trading Corporation, Hindustan Steel, etc. Foreign participants were from developing countries such as Mexico, Peru, Paraguay, Venezuala, Kenya, Tanzania, Cambodia and Nepal. The participants had visited Calcutta, Madras and Bangalore during the course, to gain firsthand knowledge of the working of the infrastructure of various industries, the export promotion councils, etc.

Formulation of Fifth Plan

Basic technical data that has gone into various projections made by the Planning Commission in the Approach to the fifth five-year Plan is to be made available to economists and aeademic institutions to help make discussion thereon well-informed and purposeful. Announcing this recently at the meeting of the Planning Commission with the panel of economists, Mr D.P. Dhar, union Minister of Planning said that an institutional basis has to be found for the relationship between the Planning Commission and the economists. The Planning Minister emphasised the need for rigorous economic analysis as a basis for formulation of economic plans and policies. He was referring to the view that ideology was becoming a substitute for economic analysis. The minister discounted fears of any erosion of the autonomy of the universities and research bodies by the closer co-operation envisaged. He said that expertise, wherever available, even outside the established and prestigous institutions, would be utilised in such consultations and discussions on a firm and institutionalised basis.

Sindri Modernisation

The union Minister for Petroleum & Chemicals, Mr D.K. Borooah, told the Rajya Sabha that apart from short-term and long-term measures to improve the economics of working of the Sindri fertilizer plant, a scheme for large-scale expansion and modernisation of the plant was also contemplated. The scheme would increase the capacity for production of nitrogen from about 90,000 tonnes per annum to about 2,55,000 tonnes per annum and would be based on heavy petroleum fractions as feedstock in place of coke or coke oven gas presently being used at Sindri. The scheme was estimated to cost about Rs 96 crores.

National Highways

The Ministry of Shipping and Transport has decided to set up a committee to suggest ways and means for ensuring that the construction of national highways and other roads is undertaken according to proper specification and designs and that these are adhered to in actual execution In addition, the Committee is also required to look into the overall economics of construction and maintenance of roads. The Director-General (Road Development) and Additional Secretary, Ministry of Shipping and Transport, Mr S.N. Sinha, will be the chairman of the Committee. Other members will include one representative each of the National Council of Science and Technology, the Central Road Research Institute and the Transport Division of the Planning Commission. The Committee will also have the Chief Engineers of two states and a whole-time Secretary.

Sugar Output

According to the Indian Sugar Mills Association the total sugar production in the month of February, 1973 the fifth month of the season 1972-73 was about 725,000 tonnes as against 687,000 tonnes during the corresponding period last season. This brings the total production during the first five months of the season 1972-73 to 2.66 million tonnes as against 2.31 million tonnes during the corresponding period last season. The off-take of sugar from factories during the month of February, 1973 was about 269,000 tonnes for internal consumption and nil for exports as against 309,000 tonnes for internaltal consumption and nil for exports in the corresponding period last season. The total despatches in the first five months in 1972-73 was 1.48 million tonnes for internal consumption and 7,000 tonnes for export as against 1.68 million tonnes for internal consumption and 38,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories on the February 28, 1973 was about 1.77 million tonnes as against about 1.99 million tonnes on the same date last season.

Hoechst Release New Vaccine

The inauguration in New Delhi recently of a seminar on "The Control of Foot-and-Mouth Disease" was accompanied by the official release of the Foot-and-Mouth Disease Vaccine developed by Hoechst Pharmaceuticals Limited in India. Considerable research and development and the assistance and co-operation of Behringwerke AG and Farbwerke Hoechst AG, were able to put in the market the vaccine of an international quality. Apart from the government owned Indian Veterinary Research Institute in Uttar Pradesh, Hoechst Pharmaceuticals Limited are the only company manufacturing this vaccine in India.

Prof. Dr K. Draeger, Head of Research, Behringwerke AG, accompanied by Dr H. Siebel, Deputy Head of the Veterinary Department, Farbwerke Hoechst AG and Dr B. Schneider, Farbwerke Hoechst AG, specially flew to India to participate in the function.

Mr D. Laengenfelder, Managing Director, Hoechst Pharmaceuticals Limited, welcomed the gathering and gave a brief background of the company's efforts which resulted in the manufacture of the Foot-and-Mouth Disease Vaccine.

Names in the News

Mr K. K. Viswanathan was sworn in Ahmedabad on April 4, as governor of Gujarat at a ceremony in the Raj Bhavan. Mr Viswanathan, a former president of the Kerala Pradesh Congress, succeeds Mr Shriman Narayan.



COMPANY AFFAIRS

Bharat Commerce

THE WORKING results of Bharat Commerce and Industries Ltd for the year ended December 31, 1972 are indeed quite impressive. Its gross profit recorded a spectacular rise to Rs 201.46 lakhs from Rs 69.75 lakhs in 1971, recording an increase of as much as 188.8 per cent. Sales too shot up to Rs 21.53 crores from Rs 18.50 crores, registering a sharp gain of about 16 per cent over 1971. The dividend on equity shares has also been stepped up substantially to 15 per cent for 1972 as against 12 per cent declared for the preceding year. Out of the gross profit, the directors have appropriated a sum of Rs 53.04 lakhs to depreciation reserve as against Rs 53.29 lakhs in 1971 while the allocation to development rebate reserve was enhanced by Rs 0.07 lakh to Rs 4.80 lakhs. A sum of Rs 17.97 lakhs was provided for gratuity as compared to Rs 4.99 lakhs a year ago, while an amount of Rs 3.10 lakhs was set apart for meeting directors' remuneration and travelling expenses as against Rs 0.81 lakh in the previous year. Taxation claimed Rs 66.00 lakhs as against no allotment in the earlier year.

After adding Rs 4.06 lakhs on account of dividend written back and deducting Rs 0.07 lakh being income tax in respect of earlier years, the net profit amounted to Rs 60.54 lakhs as against a mere Rs 7.37 lakhs in 1971. Out of the net profit Rs 0.95 lakh was transferred to capital reserve and Rs 59.59 lakhs to general reserve. The proposed equity dividend will claim Rs 22.50 lakhs, Rs 4.50 lakhs more than in 1971. The directors have also recommended payment of dividend on first (nine per cent) and second (9.3 per cent) preference shares which will consume Rs 2.63 lakhs and Rs 1.86 lakhs respectively. A provision of Rs 79,167 has been made for the payment of the third (9.5 per cent) preference shares for the period September 1 to December 31, 1972.

Century

The directors of Century Spinning and Manufacturing Co. Ltd. have recommended a final equity dividend of Rs 20 per share for the year ended December 31, 1972 which is payable on the capital increased by the one-for-one bonus issue. This will work out to Rs 40 per share on the old capital. Together with the interim dividend the total distribution for 1972 comes to Rs 60 per share on the old capital. In 1971 the company paid an interim dividend of Rs 16 per share and a final dividend of Rs 29 per share, making a total distribution of Rs 45 per equity share.

The company has reported quite encouraging results during 1972. With substantial expansion in sales from Rs 55.52 crores to Rs 59.31 crores gross profit improved by more than a crore of rupees to Rs 14.14 crores, from Rs 13.10 crores in 1971. Out of the gross profit the directors have appropriated Rs 231.32 lakhs to depreciation, Rs 35.72 lakhs to development rebate reserve, Rs 710.00 lakhs for taxation and Rs 118.13 lakhs to gratuity as against Rs 250.37 lakhs, Rs 26.00 lakhs, Rs 580.00 lakhs and Rs 104.14 lakhs allocated respectively in 1971. This leaves a net profit of Rs 319.32 lakhs as compared to Rs 349.10 lakhs in 1971. The transfer to general reserve was halved to Rs 100 lakhs while the allotment to dividend equalisation reserve was more or less maintained at Rs 148.34 lakhs as compared to Rs 148.85 lakhs in the previous year. The interim dividend absorbed Rs 70.98 lakhs, Rs 14.20 lakhs more than in 1971. The proposed final equity dividend will absorb Rs 1.42 crores as against Rs 1.03 crores in 1971.

Hindalco

Severe power shortage, flare up in cost of production due to inflation and unremunerative selling prices have adversely affected the working of Hindustan Aluminium Corporation during the year ended December 31, 1972. In spite of the acute shortage of power the company by improving its overall efficiency managed to achieve a slightly higher output 78,503 tonnes during the year as compared to 78,002 tonnes in 1971. Sales too recorded a moderate rise to Rs 38.04 crores from Rs 37.28 crores in the previous year. But gross profit declined by Rs 1.08 crores to Rs 7.14 crores. The directors have, however, decided to maintain the equity dividend at Rs 1.25 per share.

The outlook for the company will continue to be bleak unless conditions affecting its working are rectified soon. The two most vital problems facing the company are the prices of the metal and the power supply. Since the selling prices fixed by the government related to a period of three years, which expired on March 31, 1973, the company has represented to the government for about 15 per cent increase in order to neutralise the cost escalation. But the government has yet to take a decision. The power cut has been increased to 40 per cent during February 1973 and further to 50 per cent from March. The effect of this will be reflected during the current year, the estimated loss in production due to power cut during 1972 alone being of the order of Rs 4 crores. Unless immediate steps are taken to supply additional power and to revise upwards the selling prices the profitability of the company will be seriously affected during the current year as well.

The rate at which power would be supplied by the UP State Electricity Board is yet another problem to be settled. Though the UPSEB is committed to supply power at about four paise per unit, the UPSEB in complete violation of this agreement is making an unreasonable demand of seven paise per unit which would be a highly uneconomical price especially for a power-intensive industry such as aluminium. The matter now has been entrusted to a committee by the central government. Both the company and the UP government have agreed to abide by the decsion of the committee.

The company has completed the first stage expansion raising its installed capacity from 80,000 tonnes to 95,000 tonnes a year. But due to non supply of power by UPSEB. the expanded capacity though commissioned has been lying idle. Efforts are being made to get additional power from the state electricity board as soon as possible. Meanwhile the company is going ahead with the implementation of the further expansion to 120,000 tonnes a year. The company in an effort to secure permanent supply of power for its increased capacity has submitted a proposal to install a 250 mW bleeding turbine which would enable it to meet its requirements and return the present power supply from UPSEB. The company's application for the additional capacity of fabricated items is pending with the government. The application for setting up a captive plant for the manufacture of caustic soda is also awaiting government's sanc-

tion. The Company is negotiating, at present, a contract with Bharat Aluminium Corporation (BALCO) for converting BALCO's alumina into aluminium.

Out of the gross profit the directors have earmarked a sum of Rs 354.77 lakhs to depreciation reserve as against Rs 378.88 lakhs while the allocation to development rebate reserve was enhanced by Rs 79 lakhs to Rs 88.50 lakhs. Taxation reserve was allotted with one crore of rupees as against no provision in 1971 while the amount set aside per contingencies reserve was reduced from Rs 3.91 lakhs to Rs 3.66 lakhs. This leaves a substantially reduced net profit of Rs 166.82 lakhs as compared to Rs 429.56 lakhs in 1971.

Binny

Binny Ltd has turned the corner. The significant improvement in working results during 1972 has provided the much needed relief to the company's finances which were under severe strain during the previous two years. During 1972 the company's operating profit was of the order of Rs 276 lakhs as against a loss of Rs 86 lakhs in 1971. If the operation profit for 1973 is maintained at the same level as for 1972, 1974 should be free of the burden of past losses. Drastic reduction in manufacturing costs by strict economies and higher efficiency, improved pattern of production and better marketing operations have, by and large, been responsible for the remarkable improvement in working results during 1972. It is noteworthy that these results were achieved notwithstanding the heavy additional burdens such as the increase in statutory minimum bonus, higher dearness allowance and provident fund contributions, strikes and lockouts and loss on revaluation, of investment in the subsidiary Giovanola-Binny Ltd. This is disclosed in Mr N.S. Bhat, the Chairman's annual statement circulated to the shareholders of the company.

Since textile marketing is becoming highly competitive it has become necessary to have adequate feedback from the market. To fulfil this need the company has started a marketing research cell. Advisory panels consisting of wholesalers and retailers have also been set up on a zonal basis. These advisory panels are expected to provide very valuable information on market trends, tastes and fashions.

Substantial changes have been made in the various departments of the company's two textile mills, partly by overhauling and partly by re-equipment. Exports during 1972 totalled Rs 1.83 crores and it is expected to go still further during 1973. The working of the company.s garment's factory during 1972 was very disappointing. Vigorous steps are however been taken to improve the order book in order to fulfil the export obligation accepted by the company at the time the garment factory was set up. The company is now concentrating its efforts to secure bulk export orders for simple garments for which the factory is ideally equipped.

For financing the modernisation programmes of the cotton mill industry the Indian Cotton Mills Federation submitted to the government in October 1972 a scheme to establish a separate institution exclusively to provide term loans to the cotton mill industry specifically for modernisation. It was suggested that the Cotton Textile Modernisation Corporation should promote a planned programme of modernisation spread over a number of years. As fiscal concessions for modernisation of textiles industry are given in developed countries the chairman made a strong plea to the government to take a favourable decision on the Federation's proposal as early as possible.

Tamil Nadu Rubber

Tamil Nadu Rubber Limited, along with TIDCO, is setting up a unit for the manufacture of automobile tyres and tubes as a joint venture project. A suitable site on the outskirts of Tiruppattur on the Dindigul-Tiruppattur Road in Ramanathapuram District, a backward area, has been selected. The production capacity of the plant has been fixed at 300.000 numbers of automobile tyres and tubes each per annum, initially, but has since been raised by the government of India to 400,000 numbers each with on expansion capacity up to 25 per cent. This increase in capacity has further improved the viability of the project. Recently the company has signed a technical collaboration agreement with Genetal Tire International Company of Akron, USA. According to this agreement, General Tire will transfer to Tamil Nadu Rubber Ltd technical know-how, engineering and documentation for operational facilities, and employ their technology for the manufacture of tyres and tubes to the highest possible international standards. The agreement stipulates an initial payment spread over a period and royalty after the start of commercial production. Besides General Tire would assign some of their senior technical staff to Tamil Nadu Rubber to set up a most modern tyre unit. This plant will utilise sophisticated manufacturing techniques for the production of advanced tyres including radial ply tyres. Moreover Indian technicians would be trained at suitable factories abroad operated by General Tire. Further General Tire experts would be deputed to India to train Indian personnel in operation and maintenance techniques. With the signing of the technical collaboration agreement with Tamil Nadu Rubber Ltd, General Tire is making a major entry in south and south-east Asian markets,

Dunlop

The directors of Dunlop India Ltd have recommenped a final equity dividend of Rs 1.35 per share, subject to tax, for the year ended December 31, 1972. The propsed dividend will be paid on or after May 18,1973 to those members whose names appear in the register of the company as on May 14. Together with the interim equity dividend of 75 paise per share already paid, makes a total of Rs two per share for the year, the same as paid in 1971. The profit after tax was appreciably lower at Rs 1.79 crores as compared to Rs 3.78 crores in 1971, the provision for taxation being Rs 72.00 lakhs as compared to Rs 225.12 lakhs in preceding year. The transfer to Development rebate is Rs 36.73 lakhs. An amount of Rs 10,25 lakhs has been written back from development rebate reserve after the expiry of the statutory eight-year period. After effecting the above transfers the balance of profit is insufficient to maintain the rate of dividend which was paid on the company's ordinary shares for each of the past three years. After giving full consideration to the unusual circumstances affecting the trading results of the year, and also bearing in mind the substantial earnings retained during past years, amounting to Rs 4.44 crores in the last three years alone, the directors have transfered Rs 72.36 lakhs from general reserve to make up the deficit. The preference and ordinary dividends will obsorb Rs 2.25 crores.

The income from sales during the year receded to Rs 96.36 crores from Rs 98.91 crores in 1971. The total income for the year was below that of the previous year, primarily due to the substantial production losses suffered at the compay's Ambattur factory as a result of the two strikes and subsequent lock outs covering in all 84 working days in 1972. Consequently, in spite of the company's expansion plans in 1971, the total tyre production was lower than in the previous year. Apart from production losses there was a marked increase in raw material and personnel costs without any increase in the selling prices of automotive tyres and tubes due to government restrictions.

Polyolefins

The shareholders of Polyo-

lefins Industries Ltd have been rewarded with a higher equity dividend of 12 per cent for the year ended December 31, 1972 as against 10 per cent declared for the previous year. With a rise in sales from Rs 12.41 crores to Rs 13.52 crores, gross profit moved up to Rs 3.50 crores from Rs 3.24 crores in 1971. Out of the gross profit the directors have appropriated a sum of Rs 81.83 lakhs to depreciation reserve as against Rs 79.40 lakhs while a sum of Rs 145 lakhs was taken to development rebate reserve as against Rs 135 lakhs in 1971. This leaves a higher net profit of Rs 122.76 lakhs as compared to Rs 109.71 lakhs in the previous year and the entire amount has been transferred to the general reserve. Dividends will absorb Rs 64.80 lakhs, Rs 10.80 lakhs more than in 1971 and will be paid out of the general reserve. No provision has been made for taxation as the company expects no liability for taxation in view of there being no taxable income.

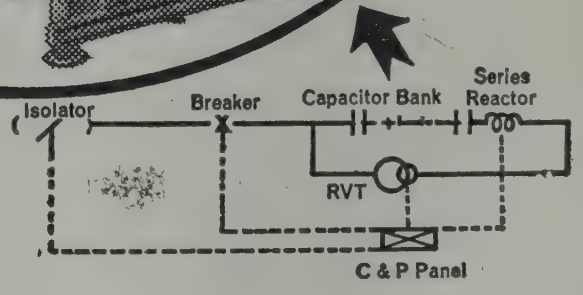
Production during the year declined by 400 tonnes 20,000 tonnes due to bennial shut down. Domestic sales, however, improved to 19,333 tonnes from 18,268 tonnes in the preceding year. The company has received a manufacturing licence for the expansion of the licensed capacity of high density polyethylene from 20,000 tonnes to 30,000 tonnes per annum. The cost of the expansion programme is estimated to cost two crores of rupees and it will be met mainly from internal resources. The scheme is scheduled to be completed by the end of 1974. Steps are also being initiated by the company for implementing the project for the manufacture of n-butene-1. The project will mean an annual saving of foreign exchange to the extent of Rs 13 lakhs. This project is expected to be completed by the middle of 1974.

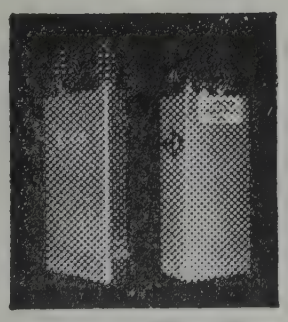
Larsen and Toubro

A striking breakthrough in the export of Indian engineering services to the Arabian Gulf has been achieved by Engineering Construction Corporation Limited (ECC), a wholy owned subsidiary of Larsen and Toubro Limited. ECC has been awarded a major contract by Power Gas Corporation, UK, for the mechanical erection work of the natural gas liquifaction complex of Qatar Petroleum Company Ltd, at Doha, Arabian Gulf. The ECC's work under the contract involve installation of a stripping plant including turbines, coolers, plant piping and structural steel-work. The ECC will provide the requsite technical staff, workmen and erection tackle. Work on the project is expected to start in May and is scheduled for completion by December, 1973. The ECC has already completed the erection of Qatar Fertiliser Project at Doha and has now been approached to provide technicians for maintenance work of this project. It is currently finalising further contracts for work orders involving instrumentation, mechanical erectian and elec-



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trical work of projects in Qatar and Abu Dhabi. The ECC, together with L and T, is fully geared to undertake turnkey projects in India and abroad.

Hindustan Teleprinters

All-time records in all its spheres of activites have been established by Hindustan Teleprinters Ltd during 1972-73. The turnover for the year will be of the order of Rs 422 lakhs compared to Rs 335 lakhs of the previous year—1971-72—, making an increase of Rs 87 lakhs, which works out to 26 per cent. It is estimated that during the year the company will make approximately a profit of Rs 185 lakhs before taxation and net profit of Rs 68 lakhs after taxation compared to Rs 136 lakhs and Rs. 54 lakhs respectively of the last year. These achievements assume special significance as the company had to maintain its production in the face of acute power shortage in 1972-73. The company has been declaring dividends consistently from the year 1965-66 and it has increased the quantum of dividend progressively from two per cent in 1965-66 to as high as 12.5 per cent in 1971-72. The company has decided to issue bonus shares in the ratio of one bonus share for every two existing shares for a total value of Rs 41 lakhs. The consent of the Controller of Capital Issues is awaited.

The price of unit teleprinter which was Rs 7,000 before March 1968 was progressively brought down to Rs 5,300 in September 1970 making a cumulative price reduction of roughly 25 per cent. The company is pursuing a policy of self-generated growth. The entire capital outlay for expansion and new projects in the fourth Plan Period of Rs 120.33 lakhs and Rs 277 lakhs during the fifth Plan period were met and are proposed to be met from out of the internal resources of the company.

During the year 1972-73 exports worth Rs 7.42 lakhs were made to Nepal, Mauritius, Lebanon, Jordan, Singapore, Belgium and Ceylon.

The company is commencing production of Electric Typewriter of its own design and will be placed in the market very soon. Manufacture of 25 and 50 Amps. power cubicles required by telephone and telex exchanges has been taken up during 1972-73. These equipment are made to meet the special requirements and consist of float rectifier, battery charger and control cubicle for maintaining the supply voltages within stringent limits during varying input and output conditions. The first lot of these power cubicles were delivered during February and March 1973.

News and Notes

(*Expansion and Diversification*)

Somani Steels which made a public issue of Rs 25 lakhs last year has made satisfactoy progress in the implementation of the project. The first electric arc furnace of 10/12 tonne capacity went on stream in October and the second furnace of similar capacity early this month. The company has recently received a letter of intent for manufacturing 50,000 tonnes of high carbon, medium carbon, medium tensile and high tensile steel billet per annum by continuous casting machine. The cost of expansion programme is estimated at about Rs three crores. Meanwhile the company has placed orders for a third furnace of 12/14 tonnes capacity with general Electric Co. The furnace is scheduied to be delivered by July and the plant is expected to go on stream by the end of the year. The company also holds a letter of intent for manufacturing 15,000 tonnes of special types of wires per annum.

New Issues

Triveni Sheet Glass Works, Allahabad, is setting up a project at Tradatganj in Uttar Pradesh for the manufacture of 5 million square meters of sheet glass calculated on 2 mm thickness per annum. To raise additional resources for financing this scheme the company will soon be offering to the public for subscription 6,30.000 equity shares of Rs 10 each at par. The capital outlay on the project is estimated at Rs 2.47 crores and it will be met through the share capital already subscribed of Rs 37 lakhs, proposed issue of Rs 63 lakhs, foreign exchange loan from ICICI of Rs 36.70 lakhs, rupee loans from IFC of Rs 40 lakhs, from IDBI of Rs 40.30 lakhs, from LIC of Rs 25 lakhs and UP Financial Corporation of Rs 5 lakhs.

Haryana Electric Steel will be approaching the capital market on April 18 with a public issue of Rs 15 lakhs, all in equity share of Rs 10 each at par. The company is putting up an electric arc furnace of 5/7 tonnes capacity. For manufacturing mild steel ingots. Commercial production is expected to commence by October 1973. The capital outlay on the project of Rs 70 lakhs will be financed through the share capital already subscribed of Rs 10 lakhs, public issue of Rs 15 lakhs, long-term loan from commercial banks, of Rs 24.50 lakhs, and IDBI deferred payment facility of Rs 20.50 lakhs. Barring unforeseen circumstances the directors hope to declare a minimum maiden dividend of 10 per cent after the first year of operations and raise it progressively in subsequent years.

Company Meetings

Guest Keen Williams Ltd : Tata Centre, 17th Floor, 43 Chowringhee Road, Calcutta-16: April 27; 11.30 A.M.

Dunlop India Ltd : Dunlop House, 57B, Mirza Ghalib Street, Calcutta-16; May 14; 10.30 A.M.

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the four weeks ended December 30, 1972. The list contains the names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); Substantial Expansion (SE); New Article (NA); Carry on Business (C.O.B.); Shifting— and annual installed capacity.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Atma Steels (P) Ltd, K-F/44, New Kavi Nagar, Ghaziabad-(U.P.) Ghaziabad-U.P.) —Capacity after expansion—Box strappings—4000 tonnes; Cables Armuring Tapes—2000 tonnes; G.R. Wires—4000 tonnes; Calvanised C.R. Stripes—2000 tonnes—(SE/NA)

M/s Vijay Tanks & Vessels Pvt Ltd, Haji Adam Mansion,

Dividends

(Per cent)

Name of company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Dhanalakshmi Mills	December 31, 1972	12.0	10.0
Amar Dye-Chem	December 31, 1972	14.0	12.0
Sri Ramnarayan Mills	December 31, 1972	15.0	10.0
Widia (India) Ltd	December 31, 1972	15.0	10.0
Same Dividend			
Boots Company (India) Ltd.	December 31, 1972	19.0	19.0
Mahindra Owen	October 31, 1972	Nil	Nil
Sidhpur Mills	March 31, 1972	6.0	6.0
Sree Ganesar Textiles	March 31, 1972	Nil	Nil
Gokul Rubber and Tea Plantations	December 31, 1972	15.0	15.0
S. S. Duncan	October 31, 1972	25.0	25.0

Homji Street, Bombay-1. (Bombay-Maharashtra)—Drum containers upto 50 litre Capacity—1934 tonnes—(COB); M/s Uni Abid Alloy Products Ltd, 21, Golf Links, N. Delhi. (Bombay-Maharashtra) — Centrifugally Cast Alloy steel Tubes—500 tonnes; High Alloy steel castings (Heat Resistant & stainless steel)—500 tonnes; M/s B. R. Steel Products Ltd, 29-30, Vaswani Mansion Dinshan Vochha Road, Bombay-20 (Thana-Maharashtra) — Stainless steel wires—600 tonnes; other types of wires—9,400 tonnes—(NU); M/s National Engg Inds. Ltd, Khatipura Road, Jaipur, (Jaipur-Rajasthan)—Steel castings—1,000 tonnes—(COB); M/s Chase Bright steel Ltd, Mehr Chambers, Nicol Road, Bellard Estate, Bombay-1. (Thana-Maharashtra)—Bright Bars & shafting—24,000 tonnes after expansion—(SE);.

Fuels

M/s Damodar Valley Corpn. Village Chappara—P.O. Hondegir, Ditt. Hozaribagh (Bihar). (Hazaribagh-Bihar) — Coal—20,000 tonnes—(S.E.); M/s Ram Saran Das & Bros, Rajharo Colliery, P.B. No 259, 18. Netaji Subhas Road, Calcutta-1. (Rajhara Colliery-Bihar) — Coal — 1,25,000 tonnes—(COB); M/s Paul Brothers, Central Joyrmadih, Colliery, P.W. Newagarh, Distt. Dhanbad. (Dhanbad-Bihar) — Coal — 17,000 tonnes—(NU); Shri Kumar K. Maldaliar, Road, No 1, Block B, Chraintand, Patna-1, (Patna-Bihar) — Coal — 4,500 tonnes—(NU); Shri B. N. Gangooly, Ushagram, P.O. Asansol, Distt. Burdwan (W. Bengal) (North Charanpur-W. Bengal)—Coal—7,000 tonnes—(NU).

Electrical Equipment

M/s Hindustan Electrical Lamp Mfg Co, 2, Guruasaday Road, Calcutta-19. (Rajasthan)—G. L. S. Lamps—4.5 M. Nos; Tungsten Wire—120 M Meters—(NU); M/s Ravindra Heraevs (P) Ltd, P.B. No. 16588, 13, Dr Annie Besant Road, Worli, Bombay-18 WB. (Bombay-Maharashtra) —Bimetal Contacts—20 tonnes; Contacts on Carriers—35 tonnes—(NA); Shri A.K. Jain, 11, Shree Ram Building, Jawahar Nagar, Delhi-7. (Faridabad-Haryana)— Change of location from Faridabad, Haryana to Naini, Allahabad in U.P.—(Shifting); M/s N.G.E.F. Ltd., P.B. No 5384, Bangalore. (Bangalore-Mysore)—11 KV Low Oil Breakers 250 to 500 MVA—1020 nos; LT & HT Load Isolators—upto 1000 A—1000 nos; H.T. Load Breakers upto 630 A—300 Nos; Drum type swithes upto 63 A—3600 nos; LT & HT Switchboards & General Panels—1,000 nos; LT HRG fuses—17,000 nos; 11 KV HRC fuses—1000 nos; Rectifier fuses upto 611 A—5000 nos; Slipring Rotor motor starters upto 1200 A—50 nos; M/s Electric Control Gear (P) Ltd, Behind Arbada Mills Ltd, Rakhial Road, Ahmedabad-21. (Ahmedabad-Gujarat) —L.T. Circuit Breakers—1000 nos—(SE); M/s Victor Cables Corporation 802, Joshi Road, New Delhi-5. (Uttar Pradesh)—High Frequency/ Radio Frdquency Cables—1000 KM—(NA).

Telecommunication

M/s Hindustan Conducstor (P) Ltd, 24, Brelvi Syed Abdulla Road, Bombay-1. (Gujarat)—Transistors, Diodes & Integrated Circuits—12.0 million Nos—(NA).

Transportation

M/s Sai Ruia Clutches Pvt Ltd, 11-C, Benraum Hall Lane, Bombay-4. (Maharashtra) — Clutch Plates — 60,000 nos — (NU); M/s Central Indian Machinery Mfg Co Ltd, Bharatpur, (Rajasthan). (Bharatpur-Rajasthan) — Heavy Duty Trailere—100 Nos—(COB); M/s Bombay Forgings P Ltd, C/294, C.S.T. Road Kalina, Bombay-29 (AS). (Bombay-Maharashtra) —Propeller shafts—10,000 nos. Universal Joint Crosses Assembly — 40,000 nos; Rear Axle shafts — 20,000 nos. M/s Sri Ramdas Motor Transport Pvt Ltd, Subhas Road, Kakinada (AP). (Kakinada-Andhra Pradesh) — Engine Valves—4.80 lakhs—(NA); M/s Gujarat Small Industries Corporation Ltd, "Bhagwati Chambers" Opp: Gujarat Vidyapith, Ashram Road, Ahmedabad-13. (Ahmedabad-Gujarat) — Scooters—24,000 Nos—(NU); M/s Coventry Spring & Engg Co Pvt Ltd, 23, Ganesh Chandra Avenue, Calcutta-13. (Nagpur-Maharashtra) — High quality Precision Helicorl Compression springs including all sorts of springs—required by Railways—5000 tonnes—(NU) M/s Oil Seals Mfg Co (P) Ltd, 10, Veer Nariman Road, Bombay-1. (Maharashtra) — Oil seals—20 lakhs nos—(NU); M/s Friction Material Pvt Ltd, P.O. Maliknagar, G.T. Road, Ghaziabad (Ghaziabad-U.P.) — Clutch Facings —200 tonnes—(COB);

Industrial Machinery

M/s G. Varaddan Pvt Ltd 306, Arunochambers, Tardeo Road, Bombay-34. (Jaipur-Rajasthan)—Dandy Rolls for Paper Industry — (Capacity to be determined one year after the proposed unit goes into production — (NU); M/s McGeorger & Bal four Ltd, 18, Netaji Subhas, Road, Calcutta-1. (Calcutta-West Bengal)—Shuttle Covers—55,000 pieces; Tobacco & Cigarette Cutting Knives—12 tonnes—(COB); M/s Dass Hitachi (P) Ltd, Piearey Lal Building, 21-A, Windsor place, Janpath, New Delhi. (Ghaziabad-U.P.) —Protection Relays for Refrigerators — 50,000 Nos — (SE).

Machine Tools

The Chairman & Mgr Dir H.M.T. Ltd, Bangalore. (Bangalore-Mysore) — Sliding Head Stock, Automatic Lathes— 50 Nos (NA); M/s Bharat Fritz Warner (P) Ltd, Bombay. Life Building, N-73, Connaught Circus, New Delhi-1. (Bangalore-Mysore) —Tool & Culter Grinders — 80 Nos (COB).

Agricultural Machinery

M/s ESCORTS LTD, 18/4, Mathura Road, Faridabad (Haryana). (Faridabad-Haryana) — Internal Combustion Engines (25-35 HP) for Agricultural Tractors—16,000 Nos (NA); M/s Escorts Limited, 18/4, Mathura Road, Faridabad (Haryana). (Faridabad-Haryana) —Agricultural Tractors Diesel Wheel (25-35 HP)—(SE).

Engineering Industries

M/s Monudyog; 97, Sector 18-A, Chandigarh-18. (Maharashtra) — Hacksaw Blades—40,00,000 Nos—(NU); M/s Choudhury Plast Ltd, 10-Park Mansion, Park Street, Calcutta-16—PVC Sheets — 1,500 Tonnes—(NA).

Scientific Instruments

M/s National Instruments Ltd, 1/1, Raja Subodh Chander Mullick Road, Jadavpur, Calcutta-32. (Calcutta-West Bengal) — Infra Red Vision Sighting Equipment for Defence requirements— 180 Sets.

Chemicals

The Managing Director M/s The Assam Industrial Dev. Corpn Ltd, Kannachal Road, Gauhati-2. (Golapara-Assam) —Caustic Soda—7,700 Tons; Chlorine — 6,780 Tones; Hydrochloric Acid (100%)—1,650 tonnes—(NU); M/s Garware Nylon Ltd, Chopatty Chambers, Sandhurst Bridge, Bombay-7. (Pimpri-Maharashtra) — Nylon chips suitable for plastics Industry—330 tonnes; The Travancore Cochin Chem Ltd, 26-A, Shanti Niketan, 1st Street, Moti Bagh, New Delhi-2. (Udyog Mandal—Kerala) — Sulphur Oxide (liquid)—7,500 tonnes —(NA).

Dyestuffs

M/s Sudarshan Chemical Ind. (P) Ltd, 162, Wellesly Rd, Poona. (Poona-Maharashtra) — Amino Anisic Acid Anilide —1.2 tonnes; J. Acid—12 tonnes; Napthionic Acid—60 tonnes—(NA).

Drugs & Pharmaceuticals

M/s Themis Chemicals Ltd 38, Suren Road, Bombay-69. (Vapi-Guiarat) — Ethambatol Hydrochloride — 15 tonnes—(NA); M/s Bengal Chemical & Pharmaceutical Works Ltd 6, Ganesh Chunder Avenue, Calcutta-13. (W.B.)—TOLBUTAMIDE—1200, Kgs—(NA); M/s Glaxo Laboratories (I) Ltd, Dr Annie Besant Road, Worli, Bombay-18. (Bombay-Maharashtra) — Dimethisterone — 10.5 Kgs. Methdolazine Hydro chloride — 180 Kgs —(NA); M/s Bengal Chemicals & Pharmaceuticals Works

Ltd, 6, Ganesh Chunder Avenue, Calcutta-13. (Calcutta-W. Bengal) — Polymyxin B-Sulphate Injection — 50,00,000 Vials; Milomycin Tablets—100,00,000 Nos—(NA); Associated Capsules (P) Ltd, 131, Kandivle, Industrial Estate, Bombay-67. (Bombay-Maharashtra) — Empty Hard Gelatine Capsules—400 Million Nos after expansion—(SE).

Textiles

M/s Orkay Silk Mills (P) Ltd, Kurla Andheri Rd, Solhi Nalpa, Bombay-72. (Bombay-Maharashtra) — Artsilk Woven Fabrics 100 Sowerlooms after expansion—(SE); M/s Amritsar Swadeshi Woollen Mills, Ram Tirath Road, Amritsar. (Amritsar-Punjab) —Shoddy Woollen yarn—732 Shoddy spindle; Woollen Fabrics—8 Woollen (Powerlooms)—(COB).

Paper & Pulp

M/s The Gwalior Rayon Silk Mfg (Wvg) Co Ltd, (Wood Pulp Division) UCO Bank Building, 4th Floor, Parliament street, New Delhi-1. (Nagda-M.P.) — Rayon Grade Wood Pulp—66,000 Tonnes—(COB); M/s Haryana Coated Papers Ltd, 3, Aurangazeb Rd, New Delhi. (Haryana)—Art & Chrone Papers—1800 Tonnes—(NU). M/s Sirpur Paper Mills Ltd, UCO Bank Building, Parliament Street, New Delhi. (Kagas-A.P.)—Paper & Paper Board—44,500 tonnes—(SE);

Food Processing Industries

M/s Shri Vithal Vaman Muthye, 11, Shamshet Street, (Chhipi Chawl), Bombay-2. (Ahmedabad-Gujarat) — Biscuits, Crackers and Wafers—3,000 tonnes—(NU). M/s Usha Flour & General Mills Ltd, Kukatpally, Hyderabad (Andhra Pradesh) — Wheat Products : Existing — 15,000 tonnes; Additional — 9,000 tonnes — (SE); Shri K.L. Agarwalla, Kedar Road, Gauhati (Assam.) (Shillong-Meghalaya) — Wheat Products — 30,000 tonnes—(NU); M/s Deccan Flour Mills Ltd, Paithan Road, Aurangabad (Maharashtra). (Aurangabad-Maharashtra) — Wheat Products — Existing — 8,700 tonnes; Additional — 16,260 tonnes—(SE); Shri Badri Prasad Gupta, 189, Patliputra Colony, Patna-13. (Darbhanga-Bihar) —Wheat Products—24,000 tonnes—(NU); Shri M. L. Mittal, 24, Alipore Road, Calcutta-27 (W. Bengal). (Medak, Andhra Pradesh) — Dehydrated Fruits & Vegetables—450 tonnes—(NU); M/s Kwality Food Products Post Bag No 12, Mysore Road, Bangalore-26. (Bangalore-Mysore) — Biscuits — 6,000 tonnes; M/s Industrial & Development Syndicate, Arundhavinagar, Agartala (Tripura). (Agartala-Tripura)—Wheat Products—9,000 tonnes —(NU); M/s Mysore Snackfoods Ltd, 17, Platform Road, Bangalore. (Bangalore-Mysore)—High Protein Snackfoods—1500 tonnes.

Vegetable Oils & Vanaspati

M/s Liberty Oil Mills, 16, Lal Bahadur Shastri Marg, Kurla, Bombay-70 AS. (Bombay-Maharashtra) — Cottonseed Oil : Existing — 33,000 tonnes; Additional—8400 tonnes—(SE).

Rubber Goods

M/s Jindal Rubber (Pvt) Ltd, 1/28-B, Asaf Ali Road, New Delhi-1. (Ghaziabad-U.P.) — Rubber Conveyor Beltings—1,000 tonnes—(NU).

Glass

M/s Shri D. N. Agrawal, M/s Triveni Sheet Glass Works Limited, 2, St Georges Gate, Road, Calcutta-22. (Allahabad U.P.) — Sheet Glass — 5 Million Sq Mts—(SE)I (NU); Sylvania & Laxman Ltd 68/2, Najafgarh Road, New Delhi-15. (Delhi)—Glass Shells — 30 Million Nos after expansion—(SE) I (NU).

Miscellaneous Industries

M/s National Tobacco Co of India Ltd, National Tobacco Building, 1 & 2, Old Court House Corner, Calcutta. (Biccavole Andhra Pradesh)—Cigarettes—4,500 tonnes—(NU).

Letters of Intent

Metallurgical Industries (Ferrous)

Shri Ashok K. Kajaria, 19, Ballygunge Park Road, Calcutta-19. (West Bengal)—H.T. Bolts & Nuts—2800 tonnes —(NU); Shri Onkar Nath Chopra, E-437, Greater Kailash II New Delhi-48. (Ghaziabad-U.P.)—H.T. Bolts & Nuts —2500 tonnes—(NU); M/s Hindustan Malleables & Forgings Ltd, Jalan Nagar, Bhuli, Dist : Dhanbad (Bihar). (Dhanbad-Bihar) — S.G. Iron Castings —1,200 tonnes; Alloy Steel Castings—600 tonnes—(NA); M/s Kaira Can Company Ltd, Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-1. (Anand-Gujarat)—Metal Battery Jackets & General Line Containers—(NA); M/s Tensile Steel Ltd, Shah House, Dr Annie Besant Road, Bombay-18 (W.B.). (Baroda-Gujarat) — High Carbon, High Tensile Steel Wires 7,5000 tonnes—(17,500 tonnes after expansion) — (SE); M/s Power Cables Ltd, 24, Brelvi Sayed Abdulla Road, Bombay-1. (P.O. No 1522.) (Maharashtra)— Steel Wires 10,000 tonnes after expansion including 100 tonnes Coppar Coated Wires & 100 tonnes of stainless steel wires.—(SE); Shri Satya Narain Bhatter, E-357, Greater Kailash, New Delhi. (U.P.)—H.T. Galvanised Wires—2,500 tonnes; Fine Galvanized Wires—1,000 tonnes; Cycle Spoke Wires Umbrella rib wires, Tyre bead wires etc Spring steel wires etc—2,500 tonnes—(NA); M/s Anand Wire and Allied Industries (P) Ltd, Post Box No 1077, Mahatma Gandhi Road, Cochin-11. (Cochin-Kerala) — Galvanised Steel Wires 18 G—500 tonnes & Galvanised Steel wires thinner than 18 G—3,500 tonnes—(SE); M/s Guest Keen Williams Ltd, 3-A, Shakespeare Sarani, Calcutta-16. (Howrah-West Bengal) — H. T. Bolts, Nuts, Studs & Rivets —4,400 tonnes after expansion —(SE); M/s Modi Steel Wire Mfg Co Modi House, 10-B, Kasturi Ranga Iyengar Road, Alwarpet, Madras-18. (Tamil Nadu)—Mild Steel Wires of 18 gauge & thiner (galvanised or otherwise) — 3,700 tonnes; ACSR Core wires; Pre-stressed concrete wires; Spring Steel Wires; Cycle spoke wires; Alloy Steel wires; Low carbon galvanised & un-galvanised steel wires—6,300 tonnes—(SE). M/s General Engineering Works, Industrial Area, Bharatpur, Rajasthan. (Bharatpur-Rajasthan) — Steel Wires of various categories 20,000 tonnes—(NA); Shri Balbir Singh, 120-B, Manicktolla Main Road, Calcutta-54. (Kalyani-W. Bengal)—Iron & Steel Castings—8,000 tonnes—(NU); M/s Best & Co (P) Ltd, 13/15, North Beach Road, P.O. Box No 63, Madras-1. (Bangalore-Mysore) — Iron & Steel Castings of various types —1,398 tonnes—(NA); Shri Rajkumar Rathi, P-7, A, Hauz Khas Enclave, New Delhi-16. (Ghaziabad-U.P.) — G.I. Castings, etc—8,000 tonnes—(NU); Shri B. Das, 174/8, Netaji Subhas Chandra Bose Road, Calcutta-40. (West Bengal)—Iron & Steel Castings etc—8,000 tonnes — (NU); Shri Narendra D. Shah, Satyanarayan Sadan, Chandawarka Lane, Borivli, Bombay-92. (Thana-Maharashtra) — Steel Castings—900 tonnes; Alloy Steel Castings—100 tonnes—(NU); Shri Bharat B. Khimji, C/O M/s Akay Industries, Station Road, Hubli-20. (Hubli-Mysore)—High Alloy Steel Castings—480 tonnes—(NU); M/s Industrial Steels, G.T. Road, Miller Ganj, Ludhiana-3 (Punjab). (Ludhiana-Punjab)—Steel Castings — 4,000 tonnes—(NU).

Metallurgical Industries (Non-ferrous)

M/s Extrusion Processes Pvt Ltd, Ram Baug, Swami Vivekanand Road, Malad (W. Rly), Bombay-64-NB. (Malad-Maharashtra) — Aluminium Collapsible Tubes Cans & Containers—120 Million Nos after expansion)—(SE); M/s Deepak Insulated Cables Corporation Ltd, Industry House, 45, Fairfield Road, Bangalore. (Bangalore-Mysore) — Enamelled Copper Strips — 400 tonnes—(NA).

Electrical Equipment

Shri R. Prasad, 6, Madan Street, Post Box No 8885, Calcutta-3. (Hyderabad-And-

ra Pradesh)—Nickel Cadium Cells—6,00,000 Nos—NU); M/s The English Electric Company of India Limited, .O. Box No 2, Pallavaram, Madras-43. (Madras - Tamil adu)—Medium Voltage Air ircuit Breakers up to 3000 mps—1000 Nos after expanon—(SE); M/s Modern attery & Auto Corporation, lene Building, Opp : Albes aug, 301, Charni Road, Bomay-4. (Vapi-Bulsar-Gujarat) -Train Lighting Cells—10,000 los; Stationary Batteries—0,000 Nos; Traction Batteies—10,000 Nos; Automove Batteries—1,20,000 Nos—NU).

M/s Easun Engineering Co td, 5-7, Second Line Beach, ost Box No 95, Madras-1. Chingleput-Tamil Nadu) — urrent, Voltage, Power & requency Measuring relays -8,800 nos; AC & DC curent & voltage operated Conol & auxiliary relays—9,750 os; Distance relays for proction of HV and EHV feedrs—100 Nos; Relays test ets, relays tool kits test Blocks nd plugs—3,750 Nos—(NU); hri D. D. Lakhanpal, 29, lew Queen's Road, Bombay-4. Maharashtra-Gujarat) —Miro Motors and Mini Motors—00,000 Nos—(NU).

Telecommunications

M/s Shree Bhawani Cotton Mills Ltd, 2766, Hamilton Rd, Delhi-6. (Uttar Pradesh)—Carbon Film Resistor—20 Million Nos—(NU); M/s Kirlostar Electric Co Ltd, P.B. No 017, Bangalore-3. (Bangalore-Mysore)—Automatic Generating Sets; Automatic Line Voltage Regulators, Variable Speed Drives Systems for Motors, Static Excitors, Static Inverters, Integrated control system for industrial applications, Numerical & Programme control equipment or Machine Tools, Data Processing and data handing equipment, Industrial R.F. Heating Equipment, and Special industrial Instruments for measurement of insulation, vibration etc.

Transportation

M/s Shri M. K. Raju, Hazur Gardens, Sembiam, Madras-11. (Avadi - Tamil Nadu)—Liner assembly—1,500 Nos; Piston Assembly—3,000 Nos; —(NU); M/s Shri S. Nammalwar, Krishna Engineering Works, Kancheepuram-2. Tamil Nadu. (Kancheepuram-Tamil Nadu)—Spiral Hyperd Gears and Pinions for tractors —350 tonnes—(NU); M/s T. V. Sundram Iyengar & Sons Pvt Ltd, 'TVS Building' West Veli Street, Madurai-1. (Saidapet Taluq-Tamil Nadu) —Organic automotive, Non-automotive and industrial friction material—1,500 tonnes—(NU); M/s Bajaj Auto Limited, Chinchwad, Poona-19. (Poona-Maharashtra)—Scooters & Three Wheelers—48,000 Nos after expansion—(SE).

Industrial Machinery

M/s Associated Textile Engineers, 43, Forbes Street, Fort, Bombay-1. (Gujarat-Maharashtra) — Automatic systems for Bale Handling etc suitable for feeding 150 High Production Cards 255 Lakhs—(NU). M/s Peas Industrial Engineers Ltd, Manek Lal Road, Navsari (W.R.) Gujarat. (Navsari-Gujarat) — Automatic Hank Yarn Mercrising Machine—15 Nos—(NA); M/s Dalal Engineering (P) Ltd, 314, Jolly Bhavan No 1, New Marine Lines, Bombay-20. (Thana-Maharashtra) — Spray Driers—30 lakhs—(NA); Shri Bijaynandan Patodia, 11/1, Heysham Road, Calcutta-20. (Haryana-Delhi-U.P.) — Industrial Knives—800 tonnes—(NU).

Machine Tools

M/s Jessop & Co Ltd, 63, Netaji Subhas Road, Calcutta-1. (Dum-Dum-West Bengal)—Hydraulic Circular Saw Machines—48 Nos; Saw Blade Sharpensing Machine —16 Nos—After expansion—(SE); M/s Metro Wood & Engineering Works (P) Ltd, NK House, Ashram Road, Navrangpura, Ahmedabad-9. (Kalol-Gujarat) — Hydraulic Process—8 Nos valued at Rs 24 lakhs after expansion—(SE); M/s Jessop & Co Ltd, 63, Netaji Subhas Road, Calcutta-1 (West Bengal)—Diesel Road Rollers—1200 Nos after expansion—(SE).

Commercial & Household Equipment

M/s Andhra Pradesh Industrial Development Corporation Ltd, B-1-174, Fateh Maidan Road, P.B. No 13, Hyderabad-4 (A.P.) (Andhra Pradesh) — Standard Typewriters—12,000 Nos; Portable Typewriters—6,000 Nos; Desk Calculators (Electrically operated)—6,000 Nos—(NU); Shri S. S. Waran, TC-27-979, Sreekandeswaram East Road, Trivandrum (Keral State). (Trivandrum-Kerala) — Standard Typewriters — 8,000 Nos; Portable Typewriters — 3,500 Nos — (NU); M/s Shri S.-Srinivasan, M-77, Besant Nagar, Elliot Beach, Madras-20. (Chingleput-Tamil Nadu)—Steel type for Typewriters Teleprinters,—etc—3 lakh sets—(NU); Shri Ram A. Gupta, G-2, Maharani Bagh, New Delhi-14. (Bhimtal-U.P.) —Electronic Desk Calculators—2,000 Nos—(NU); Mr Narpat Bhandari, 11, Owndrs Court, Mayfair Road, Calcutta-19. (Meerut-U.P.)—Llectronics Desk Calculators—2,000 Nos—(NU).

Industrial Instruments

M/s Associated Instrument Manufacturers (India) Pvt, Ltd, Sunlight Building, 26-27, Asaf Ali Road, New Delhi. (Delhi)—Testing instruments viz., Soil Testing, Cement Concrete, Fuel, Tar, Bituman & etc—Universal Testing Instruments 6 Units. Other Testing Instruments in this field such as Crack delector for Concrete structures and Metals; Strip Charat Recorder & Recorders — 100 Units. Reflectance Glass Meters—24 Units. Spectrophotometers, Optical Pyrometers and Microphotometers—125 Units. Photo Electrical Polarscope—6 Units. Overhead Projectors —200 Units—(NU); Soil Testing Equipment—45020 Units. Concrete and Cement Testing Equipment—50 Units. Fuel Testing Equipment—2420 Unit. Miscellaneous Testing Equipment—100 Units. Photo Electric Colorimeters—400 Units. Centrifuges—25 Units; Vacuum Pumps Units—50 Units. Povibond Chlorimeters—500 Units & Povlbond Tintometers—24 Units. Vapour Phase Chromatograph Apparatus—48 Units—(SE).

Scientific Instruments

M/s Indian Telephone Industries Ltd, Doorvani Nagar, Bangalore-16. (Rai Bareilly-U.P.) — Crossbar Telephone Exchange Equipment —3 lakhs—(NU).

Chemicals

The Gujarat Mineral Development Corpn, Ltd, Natraj Theatre Building, Ahmedabad (Gujarat). (Baroda-Gujarat)—Synthetic Cryolite—5,000 tonnes; Aluminium Fluroide—3,000 tonnes—(NU); M/s Hindustan Development Corpn Ltd, Hindu Family Buildings, 27-Sir R. N. Mukherjee Road, Calcutta-1. (Kalol-Gujarat)—Sodium Cyanide—3,000 tonnes; Complex Cyanide—1,000 tonnes; Hydrocyanic Acid—1,000 tonnes—(NA); M/s Excel Industries Ltd, 184, 87, S.V. Road, Jogeshwari-Bombay-60. (Bhavnagar-Gujarat) — Phosphorous Pentasulphide — 3,000 tonnes — (SE); Shri D. P. Jain, Managing Director, Saru Smelting (P) Ltd, Serunagar, Sardhana Road, Meerut. (Uttar Pradesh)—Rigid PVC Pipes and Fittings etc—2,000 M. Tonnes —(NU); Shri Apoorva Shantilal Shah Near Police Head Quarters, Shahibag, Ahmedabad-4. (Gujarat)—P.V.C. Pipes Fittings & Jointings—5,400 tonnes—(NU); M/s Advani Private Ltd, 3 D, Garstin Place, Calcutta-1. (Vapi-Gujarat) — Sodium Ferrocyanide—750 tonnes; Potassium Ferrocyanide — 750 Tonnes—(NU). M/s Indian Organic Chemicals 28, Apollo Street, Fort, Bombay-1. (Khopoli-Maharashtra) — Textile Auxiliaries Resins—1500 tonnes; M/s National Rubber Manufacturers Ltd, 60B Chowringhee Road, Calcutta-20. (Uttar Pradesh)—Plastics/PVC Flexible Hoses—8 to 10 lakhs Meters —(NA); M/s Chowgule & Co (Hind) (P) Ltd, India House, Seth Walchand Hirachand Marg, Bombay-1. (Thana-Maharashtra) — Synthetic Resins—4176 tonnes after expansion—(SE); Smt Surekha

Saxena, House No 20-2-370, Hussaini Alam Hyderabad-2. (Andhra Pradesh). (Hyderabad-A.P.)—Calcium Silicide —500 tonnes—(NU); Shri B. C. Jain, 24, Anand Lik, New Delhi-49. (Haryana)—PVC Pipes and Fittings—3,000 tonnes—(NU); Shri Girish Kumar Khaitan, 46-C, Chowringhee Road, Calcutta-16. (West Bengal) — Regid PVC Pipes Fittings & Conduits—(NA); M/s I.B.I. Pvt Ltd, (Indo Berolina Industries Pvt Ltd) IBI House, S-86, Andheri Kurla Road, Bombay-59 AS. (Bombay-Maharashtra)—Synthetic Detergent Plants 3 each for mfg,—30,000 tonnes—(NA). M/s Sahyadri Dystuffs & Chemicals (P) Ltd, Mafatlal House, Backbay Reclamation, Bombay-20 BR. (Maharashtra) — Dyes for Acrylic Fibres—100 tonnes—(NA); M/s Amar Dye-Chem Ltd, Rang Udyan, Sitaldevi Temple Road, Mahim, Bombay-16 (BR). (Maharashtra)—Dyes for Acrylic Fibres—175 tonnes—(NA); M/s Colour-Chem Ltd, Ravindra Annexe, 194, Church Gate Reclamation, Bombay-20. (Maharashtra) — Dyes for Acrylic Fibres. 175—200 tonnes—(NA) M/s Indian Dyestuff Industries Ltd, Mafatlal Centre, Nriman Point, Bombay-1. (BR). (Maharashtra)—Dyes for Arcylic Fibres—(NA); M/s Hanuman Cottonseed Products (P) Ltd, Shreeniketan, 24-A, Marine Drive, (N. Subhash Road), Bombay-2. (Khamgaon-Maharashtra) — Fatty acids—3,000 tonnes; Glycerine—240 tonnes—(NA); M/s Sanghi Motors (Bombay) (P) Ltd, 39-A, Huglas Road, Bombay-7. (Kotah-Rajasthan) — Nitrogen gas (as bye product)—10 lakh cubic meters—(NA); Shri N. C. Sutaria, National Chemical Corpn, B-9, Devkaran Mansion, Pathekwadi, Princess Street, Bombay-2. (Ahmedabad-Gujarat)—Sodium Cyanreide—2000 tonnes; Potassium Cyanide—3000 tonnes; Sodium Potassium Ferro Cyanides—500 tonnes each; Potassium Ferri Cyanide—100 tonnes —(NU); M/s Shri Shoukat Rai Malhotra, K-89, Houz Khas Enclave, New Delhi. (Uttar Pradesh-Haryana) — Calcium Carbide—14,850 tonnes—(NU); Shri C. C. Patel, Nylechips Chemicals Technologists Cooperative Co, 27, Pratap Gunj, Baroda-2. (Bajwa-Gujarat) — Moulded Nylon Parts—500 tonnes—(NU).

Drugs & Pharmaceuticals

M/s Bayer (India) Ltd, Express Towers, Nariman Point, Bombay-1. (Thana-Maharashtra)—Parathion technical—500 tonnes; Fenitrothion technical—400 tonnes—(SE); M/s Cibatual Ltd, P.O. Atul, Via Bulsar, (W. Rly), Dist Bulsar, Gujarat. (Bulsar-Gujarat) — Sulpha Methyl Phenazole Sodium (Vesulong)—10 tonnes—(NA).

Paper & Pulp

M/s U.P. State Industrial Corpn Ltd, Directorate of Industries Bldg, 117/420, G.T. Road, Kanpur. (Uttar Pradesh)—Writing, Printing & Wrapping Paper—1,00,000 tonnes—(NU); M/s Saharia Krishi-Van, Pratisthan Pvt Ltd, (P.O.) Rehabari Dibrugarh (Assam) (Mikir Hills Assam) — Plywoods of all types including Blockboards & Flush Doors—12.5 lakhs metres—(NU); M/s Straw Products Ltd, 4, Bahadur Shah Zafar Marg, New Delhi-1. (Madhya Pradesh) — Paper Board—9,200 tonnes after expansion—(SE); M/s Murarka Brothers, 7, Lyon's Range, Calcutta-1. (West Bengal)—Base Paper for Lamination—900 tonnes; Filter Paper—400 tonnes; Gasket Paper & high absorbent paper—400 tonnes—(NU).

Sugar

Rahuri Sahakari Sakhar Karkhana Ltd, Shri Shivaji Nagar, Taluka Rahuri, District Ahmednagar, Maharashtra. (Ahmednagar-Maharashtra) — Sugar — 3,250 tonnes cane per day after expansion—(SE).

Food Processing Industries

Shri Girdhari Prasad Bagla, Anand Bhawan, Laheria Sarai, Distt Darbhanga (Bihar). (Darbhanga-Bihar) — Wheat Products—30,000 ton—(NU); Shri Vijay Kumar, C/o Rama Roller Flour Mills, Sadar Bazar, Meerut. (Rai-Bareilly-U.P.) — Wheat Products—30,000 tonnes —(NU); Shri C. V. Abraham, B-7, Green Park Extension, New Delhi-16. (Alleppey-Kerala) — Wheat Products—30,000 tonnes—(NU); Shri P. Khanna, CC/17, Kalkaji, New Delhi. (Jhansi-U.P.)—Wheat Products —15,000 tonnes—(NU); Shri B. K. Sahai, Flat No 247, 248, Cecil Annexe, Choura Maidan, Simla. (Broti-H.P.) — Wheat Products — 18,000 tonnes —(NU); Shri Mangilal Bagri, Room No 66 & 67 (3rd Floor), 267, M.D. Road, Calcutta-7. (Bokaro-Bihar) — Wheat Products—30,000 tonnes—(NU); M/s Mysore State-Agro Industries Corpn Ltd, 10, Ali Askar Road, Bangalore. (Bangalore-Mysore) — Maize products—(NU); M/s Cleanfoods Corpn, Vimala Buildings, 5, Residency Road, Bangalore-25. (Bangalore-Mysore) — Canned Fruits —10,000 tonnes; Canned Vegetables—3,600 tonnes—(NU).

Rubber Goods

M/s Rana Rubber & Plastics Mills (P) Ltd, 2, Church Road, Sharanpur (U.P.). (Saharanpur-U.P.) — Rubber Conveyor Beltings — 1,000 tonnes; Fan and V. Belts—6 lakh Nos—(NU); M/s National Rubber Mfrs Ltd, 19, Jawaharlal Nehru Road, Calcutta-13. (Calcutta-West Bengal)—Textile Reinforced Rubber Conveyor Beltings—1900 tonnes; Steel Cord Rubber Conveyor Belting—660 tonnes—(SE/NA); Shri A. B. Ganguli, 8/1, Chapal Road, Calcutta-22. (West Bengal)—Fan & V. Belt—10 Lakhs Nos—(NU).

Glue & Gelatine

M/s Gujarat State Tubes Ltd, Bank of India Building, Bhadra, Ahmedabad-1. Glatine—2000 tonnes; Bye-Products : Calcium Phosphate—3,200 tonnes; Grease—160 tonnes—(NA); M/s Shaw Wallace & Co Ltd, 4, Bankshall Street, P.B. No 40, Calcutta-1. (Chingelpet-Tamil Nadu) — Ammal Glue—2400 tonnes after Expansion—(SE).

Ceramics

M/s Bombay Potteries and Tiles Ltd, Pipe Road, Kurla, Bombay. (Kurla-Maharashtra) —Glazed Tiles—10,000 tonnes after expansion—(SE).

Cement

M/s J & K Minerals Ltd, The Bund, Srinagar (J&K) (Pulwana Anantnag-J&K) — Portland Cement — 104,000 tonnes—(NU).

Change in Names of Owners & Undertakings

(Information pertains to particular licences only)

From M/s J. K. Rayon, Kanpur to M/s Juggilal Kamlapat Cotton Spg & Weaving Mills Co Ltd, Kanpur; From M/s Acme Pig Iron & Centrifugal Pipes Works Limited to M/s Wheelarator Alloy Castings Ltd; From M/s Bellary Central Co-operative Stores Ltd to M/s The Kampli Cooperative Sugar Factory Ltd; from M/s Associated Battery Makers (Eastern) Ltd to M/s Chloride India Ltd; from Shri Govardhandas Dornji Parmar, Jambad Selected Colliery, P.O. Kajoragram, Distt Burdwan (W. Bengal) to Sri Govardhan Damji Parmar appointed as Receiver in Title Suit No 23 of 1969 by Court of sub-judge, Asansol, Jambau Selected Colliery, P.O. Kajoragram, Distt Burdwan (W. Bengal); from M/s The Cotton Agents (P) Ltd, Industry House, 159, Churchgate Reclamation, Bombay to M/s Shree Digvijaya Woollen Mills Ltd, Jamnagar; from M/s Shama Pistons & Rings Ltd, to M/s Shriram Pistons and Rings Ltd.

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s R. R. Steels & Alloys Ltd, Bareilly (U.P.)—Steel Castings; M/s Somani Industrial Enterprises Ltd,—Cast Iron Spun Pipes; Shri Man Mohan Auto Sales, Kanpur Road, Allahabad—Vanaspati; M/s Jonas Woodhead & Sons (India) Ltd, 44, Thirudeermalai Road, Madras-44.—Alloy Steel of Coiled & Suspension Springs for Railways; M/s Modern Mills Ltd, Temple Bar Buildings, 70, Forbes Street, Fort, Bombay-1.—Cotton Textiles.

RECORDS AND STATISTICS

Report of third Pay Commission

THE THIRD Central Pay Commission has recommended a number of improvements in the salary scales and other benefits for civilian government employees and armed forces personnel which will involve an immediate financial cost of Rs 144.60 crores per year.

The Report of the Commission was made available to Parliament on April 2, by the Finance Minister, Mr Y.B. Chavan.

The Commission has recommended a minimum remuneration of Rs 185 per month for a wholetime Government employee at the start of his career. No change has been recommended in the maximum salary of Rs 3500. The disparity ratio between the minimum remuneration and the maximum salary (both post-tax) has been reduced from 15.4 on January 1, 1970 to 11.8 on January 1, 1973.

The recommendations of the Pay Commission will benefit about three million civilian employees and nearly a million Armed Forces personnel.

Principles of Pay

In devising its pay structure, the Commission has kept in the tests of 'inclusiveness', 'comprehensibility' and 'adequacy'. It has commented that an uncritical use of comparison between Government salaries and the salaries of organised trade and industry, without considering the work content and the totality of prevailing circumstances, is not justified. The Government has to take note of its dual role, both as employer and as the supreme authority responsible for the governance and development of the country. The Commission has recommended that a common wage policy should be evolved for public sector undertakings and an effective coordinating machinery should be established to ensure that the pay scales of any public sector undertaking do not go seriously out of line with those in other public sector undertakings and under the Government. The Commission has fixed the pay scales of various posts under the Government with reference to their duties and responsibilities, difficulty and complexity of the task, qualifications, etc.

Pay Structure

Keeping in view these and other principles recommended for devising the pay structure, the Commission has brought down the number of pay scales from the 500 or more existing scales to 80 scales only. The Commission has recommended that there should be a more effective application of effeciency bars in the various scales and the crossing of efficiency bar should not be a routine matter. In order to attract outside talent and experience into the middle ranks of the civil services, the Commission has recommended that from 10 per cent to 25 per cent of the vacancies arising in the Junior Administrative Grade or equivalent in the IAS and most of the Class I Services should be filled by direct recruitment of outside candidates and regular members of the Services would also be eligible to apply.

Minimum Remuneration

The main demand of the employees was for a need-based minimum wage according to the norms of the 15th Indian Labour Conference. The cost of the need-based wages, as per these norms computed by the Commission comes to Rs 314 per month. The Commission has stated that having regard to the prevailing level of wages in the agricultural sector and the general minimum level in trade and industry, the adopting of minimum remuneration with reference to these norms would at this stage amount to a mis-direction of resources. It has stated that if additional funds were available, these should first be used for the amelioration of the lot of the people who are unemployed or under employed rather than for ensuring a minimum wage related to certain norms set by the 15th ILC for a section of the community. After making some modifications to the norms of the 15th ILC when applied to Government employees, the Commission has evolved its own concept of the need-based wage which is, *inter alia*, based on the Indian Council of Medical Research vegetarian diet and three adult consumption units.

The cost of the need-based wage, according to the Commission's concept, comes to Rs 196 per mensem. Since a Class IV employee at the beginning of his career is not usually expected to be responsible for the maintenance of three adult consumption units including himself, and may not even be married, the Commission recommended a minimum remuneration of Rs 185 p.m. for a whole-time Government employee at the start of his career. At the end of five years' service such an employee will automatically get the need-based wage of Rs 196 p.m. according to the time-scale the Commission has suggested.

The Commission has also recommended a special pay of Rs 10 p.m. as against the existing rate of Rs 3 p.m. for certain categories of Class IV staff whose work is exceptionally heavy or involves risks, health hazards or employment in unpleasant or uncongenial occupations.

Special Pay

The Commission has recommended that the system of special pay should be used as sparingly as possible. It has recommended continuance of the existing rates of special pay for posts in the Central Secretariat. The same rates of special pay have been recommended for posts in the headquarters organisations of the various Central Services Class I. The system of special pay in the intelligence agencies and police and security organisations should be continued in view of their special requirements.

Dearness Allowance

The pay structure devised by the Commission is related to the 12-monthly index average of 200 (1960—100). The Commission has recommended payment of dearness allowance as and when the 12-monthly average of the index rises by 8 points in future. It has been recommended that employees getting pay up to Rs 300 should get dearness allowance at 3.5 per cent of pay subject to a minimum of seven rupees and a maximum of Rs 10 and those getting pay above Rs 300 should get dearness allowance at 2.5 per cent of pay subject to a minimum of Rs 10 and a maximum of Rs 20. Dearness allowance at the above rates is to be given to all employees getting pay up to Rs 900 p.m. employees getting higher pay shoud also be paid dearness allowance when the price rise is of a greater order.

House Rent and other Allowances

The Commission has recommended continuance of payment of Compensatory (City) Allowance in various

towns. For purposes of payment of this allowance it has introduced the concept of urban agglomeration as adopted for the population Census of 1971. The Commission has recommended payment of house rent allowance at 15 per cent of pay subject to a maximum amount of Rs 400 in A, B1 and B2 Class cities. In 'C' Class cities the allowance is to be paid at 7½ % of pay subject to a maximum amount of Rs 200. The Commission has recommended that production and verification of rent receipts should be made compulsory in all cases where house rent allowance at the new rates is to be paid. However, the employees who are at present getting house rent allowance without production of rent receipt can be allowed this facility so long as they claim the same amount of house rent allowance as they are receiving at present. The Commission has recommended that for grant of Hill Compensatory Allowance and Winter Allowance, the height of the of the hill station alone should be the criteria.

TA-DA

In respect of the Travelling and Daily Allowances, the Commission has recommended improvements in the rates only where the employees have to stay in hotels or other commercial establishments providing board and/or lodiging. Another important recommendation relates to payment of daily allowance for the first 30 days of halt on tour in cases where the employees have to remain on tour for long periods. In respect of transferable Government employees, improvements have been suggested in the rates of transfer grant and the scale of baggage allowance.

Leave-Travel

With a view to lessening the disparities between railway personnel/officers and other Government employees in the matter of leave travel concessions, the Commission has recommended that the number of passes of the gazetted officers in the Railways should be reduced to the leave admissible to the non-gazetted staff in the Railways. The number of PTOs have been recommended to be reduced from six to three per year for both gazetted and non-gazetted officers. The existing provision as regards journeys to home towns once in the block of two years for other Central Government employees has been continued. It has also been recommended that once in a block of four years every government employee should be allowed to avail of the LTC for journeys to any place in India. The depndent children of the Armed Forces officers have also been allowed the same travel concessions as applicable to the wife of a service officer once in a block of two years. It has also been recommended that the Form 'D' concessions to Service officer should normally be limited to three sets in a year. In respect of personnel below officer rank in the Armed Forces, the facility of free concession voucher for journeys to home town once every year has been extended to the serviceman's wife and children also.

Educational Facilities

As in the Railways, Children's Education Allowance should be admissible to employees in other Departments also only if a school of requisite standard does not exist at the station where an employee is posted or on account of non-availability of accommodation in such a school. The rates of Children Education Allowance have been fixed at Rs 15 p.m. per child for primary classes and Rs 20 p.m. for secondary and higher secondary classes with a ceiling of Rs 60 p.m. The upper pay limit for payment of Children Education Allowance and reimbursement of Tuition Fee have been raised to Rs 1,200 p.m. The Commission has also recommended payment of a hostel subsidy at a uniform rate of Rs 60 per mensem in respect of children of Government employees who are transferred in mid-term from one station to another. Recommendations have also been made for payment of a subsidy for the purchase of a new set of books for the children of such employees when transfers take place in the middle of an academic session. The amount of subsidy is Rs 20 per child for primary classes, Rs 40 per child for secondary classes and Rs 60 per child for higher secondary classes. The subsidy is to be paid to employees drawing pay up to Rs 1,600 p.m.

Death-cum-Retirement Benefits

In regard to death-cum-retirement benefits, the Commission has recommended that the age of retirement of Government employees should continue to be 58 years. The maximum qualifying service for pension has also been increased from 30 years to 33 years and the maximum pay for earning pension has been increased from Rs 1800 to Rs 2500. The maximum amount of pension has been recommended to be raised from Rs 675 p.m. to Rs 1000 p.m. The maximum amount of death-cum-retirement gratuity has also been recommended to be raised from Rs 24,000 to Rs 30,000. The Commission has recommended improvements in the rates of family pension to the families in cases where a Government employee dies while in harness. The minimum family pension has been increased from Rs 40 to Rs 50 and the maximum from Rs 150 to Rs 250 p.m.

The Commission has also recommended that in the case of death of an employee after a minimum service of 7 years the family pension at a higher rate should be paid to his family for a guaranteed maximum period of 7 years or till he would have attained the age of 65 years, whichever is less. Some improvements have been suggested in the amount of terminal gratuity to temporary and quasi-permanent employees. In case of death attributable to service conditions, family pensionary awards have been recommended to be rationalised and improved. The Commission has also recommended the introduction of a scheme of providing an insurance cover of Rs 5,000 to all employees on payment of a contribution of Rs 5 p.m. It has been recommended that if an employee governed by the scheme leaves Government service for any reason, he should be returned his own contribution without any interest thereon.

Interest on Provident Fund

The Commission has recommended that the rate of interest on the provident fund balances of the Central Government employees should be broadly comparable with the interest allowed by the nationalised banks on long-term deposits.

The working hours in administrative offices have been recommended to be raised by half an hour a day. It has been recommended that no section of employees should be allowed more than 16 holidays in a year.

Overtime Allowance

The Commission has recommended that the system of overtime allowance should be withdrawn in respect of categories of establishments to which the practice was extended subsequent to the recommendations of the Second Pay Commission. Payment of overtime allowance under the provisions of the Factories Act, the Hours of Employment Regulations should, however, continue. A system of compensatory offs and payment of honoraria has been recommended to be introduced in cases of over stayal during periods of unusual activity or due to unforeseen circumsstances.

Armed Forces

In regard to Service Officers, the Commission has continued the existing relativity between service officers and officers of Class I Services and the Indian Police Service officers. The Special Disturbance Allowance has been abolished as a separate entity and its present value taken into account in fixing their pay scales. The pay scales

recommended for the officers of the general cadre are as follows:—

From 2nd Lt. to
Major—Rs 750-1750
Lt. Col.—Rs 1700-1900
Col.—Rs 1950-2150
Brig.—Rs 2200-2400

While no changes have been recommended in the scales for the Major General, Lt. General and General, the Commission has recommended that the existing concession of recovery of rent for unfurnished accommodation and concessional rates of recovery of water and electricity charges should be extended to officers of the rank of Major General and above also. Similarly, the Kit Maintenance Allowance of Rs 50 p.m. has also been extended to officers of the rank of Major General and above.

Substantial improvements have been recommended in the emoluments of personnel below officer rank. The status of the Infantry soldier has been improved and he has been grouped with soldiers in the Armoured and Artiliery branches. The pay scales suggested for the Infantry soldier is Rs 175-2-195. Corresponding increases have been proposed for higher groups and

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for the NCOs and JCOs. The Commission has recommended that in future personnel below officer rank should be given dearness allowance and compensatory (city) allowance at full rates.

Improvements have also been proposed in the rates of most of the allowances and the non-effective benefits, both for officers and for personnel below officer rank.

Union Territories

In so far as Union Territories are concerned, the Commission's recommendations cover Delhi, Pondicherry, Goa, Dadra and Nagar Haveli, Andaman and Nicobar Islands and Laccadive, Minicoy and Aminidive. The present linkage of Chandigarh employees with Punjab scales of pay and allowances is to be continued. The Commission has recommended that in case the employees of Arunachal Pradesh and Mizoram Administration opt for the Central scales of pay, a departmental committee should be set up to suggest the adoption of one or other of the standard scales introduced on its recommendations.

The Commission's general approach in recommending the scales for Union Territories employees is that for those posts which are also to be found generally in the Departments of the Central Government, the appropriate Central scales of pay recommended by it could be straightaway extended. For such of the remaining posts as are peculiar but common to all U.T. Administrations, common scales of pay have been recommended after a broad assessment. For posts peculiar to a Union Territory, scales have been suggested after into account the duties and responsibilities, etc.

On certain problems peculiar to some of the Union Territotories, the Commission has recommended that Government should consider allowing—

(i) the ex-Portugese employees who have opted for the old pensionary benefits, a fresh option to come over to the Central Government pensionary rules;

(ii) pensionary contributions recovered from ex-French permanent employees in Pondicherry should be refunded to them or credited to their provident funds;

(iii) increases in the rates of compensatory allowance in Andaman and Laccadive have been proposed.

The Commission has not accepted the demand for encashment of leave. However, in cases of death in harness, such encashment of leave has been permitted subject to a maximum period of 120 days. In regard to medical facilities the Commission has recommended extension of the Central Government Health Scheme to other cities and towns on a priority basis and for improvement of these facilities.

A system of selective review of medical reimbursement claims has been recommended to be introduced. It has also been recommended that all Government employees should be subjected to a compulsory medical examination at the ages of 40, 45 and 50 years not with a view to invalidment but to improve medical care by remedial action at an incipient stage.

It has been recommended that the maximum amount of advances for the purchase of motor car should be raised from Rs 16000 to Rs 18000, for motor cycle/scooter from Rs 3000 to Rs 3500 and for cycles from Rs 200 to Rs 250.

Date of Effect

The Commission has recommended that the revised scales should be made effective from 1st March, 1973. On pensionary matters also the Commission has said that their recommendations should apply to all those who retired on or after March 1, 1973.

Pay Fixation Formula

The pay fixation formula recommended by the Commission provides that an amount equal to 5 per cent of pay, subject to a minimum of Rs 10 and a maximum of Rs 50 should be added to the existing emoluments and the pay then fixed in the revised scales at the same stage or the next above stage.

Relief to Pensioners

Existing pensioners are outside the purview of the Pay Commission. For future pensioners the Commission has recommended grant of relief @ 5% of their pension subjct to a minimum of Rs 5 and a maximum of Rs 25 p.m. as and when the average of the index rises by 16 points.

With a view to reducing administrative and accounting work, the Commission has recommended that all retirements should take effect from the last date of a month. Further, all increments in pay should be granted from the 1st of the month. It has also been recommended that all cash payment to Government employees should be rounded off to the nearest 10 paise.

The immediate financial cost of the recommendations has been estimated to be Rs 144.60 crores per annum. This would be in addition to the cost of the three instalments of interim relief granted pursuant to the recommendations of the Commission and estimated to cost the Exchequer Rs 175 crores per annum.

The Commission has laid great emphasis on avoidance of wasteful expenditure due to over-staffin g and inefficiency in Government offices and for maintenance of productivity in the public service at a fairly high level. The Commission has also recommended setting up of a permanent machinery for systematic collection of reliable and comprehensive data regarding pay scales, fringe benefits, service conditions, etc., of employees not only in the Government but also in the public and private sectors. The creation of a standing body on pay and cadre management has been suggested to advise the Government on matters like cadre review, regarding of any class of employees based on the results of job evaluation studies, pay revision of any class of employees, creation of new scales etc.

Notes of Dissent

There are three Notes of Dissent to the Report of the Commission. There is a combined Note of Dissent by Prof. Niher Ranjan Ray and Prof. A.K. Das Gupta and another by Prof. V.R. Pillai. Member Secretary, Mr H.N. Ray, ICS, has also appended a Note of Dissent.

Prof. Nihar Ranjan Raya Prof A.K. Das Gupta have dissented with the recommendation of the Commission in regard to the pay scale of the Indian Administrative Service. They have also suggested their own pattern of pay scales for the clerical staff and the artisan staff in the workshops.

While agreeing with the Commission's concept of a need-based minimum wage, Prof Pillai has dissented with the recommendation to give a minimum remuneration of Rs 185 instead of Rs 196 arrived at as per the Commission's concept.

Member Secretary has dissented with the recommendation of the Commission to give the senior scale of Rs 1100-1600 to some of the scientific services and organised engineering services only, with a large number of engineering, scientific, specialist and non-technical services and posts being placed in the scale of Rs 1050-1600 only. He has also dissented with the high increases recommended by the Commission for some of the senior posts such as Engineer-in-Chief, CPWD.

(*Typical pay scales as recommended by third Pay Commission are given on the next page*)

TYPICAL PAY SCALES

Of the 80 scales of pay recommended by the Commision for civilian employees, some of the typical scales of pay** (without efficiency bar) and some of the categories of employees to whom these apply are as under:—

1. Rs 185-2-193-3-220	Peons, Unskilled workers, Gangmen (Railways).
2. Rs. 190-3-208-4-240	Daftries, Jamadars, Cooks, Laverman Grade II, Pointsman B (Railways).
3. Rs 200-3-212-4-240-5-280	Artisan (Semi-skilled).
4. Rs 260-6-326-8-390-10-400	Skilled workers, Lower Division Clerks, Staff Car Drivers, Ticket Collectors.
5. Rs 330-10-380-12-500-15-650	Upper Division Clerks, Qualified Pharmacists and Compounders, Assistant Station Masters, Higher Secondary Trained Primary School Teachers, Senior Commercial Clerks, Librarians with a Diploma in Library Science.
6. Rs 425-15-560-20-700	Head Clerks , Economic and Statistical Investigators, Junior Engineers, Junior Scientific Assistants, Junior Chargeman, Engineering Supervisors in the P &T, Draftsman, Grade III.
7. Rs 425-15-560-20-700-25-800	Assistants and Stenographers (Central Secretariat), Income-tax Inspectors, Inspectors of Central Excise, Examiners and Preventive Officers (Customs.)
8. Rs 550-20-650-25-750	Some Station Masters, Commercial/Claims/Transportation Inspectors (Railways), Senior Chargemen in workshops, Communication Assistants, Aerodrome Assistants, Technical Assistants in Civil Aviation, Inspectors in Border Security Force and Central Reserve Police.
9. Rs 500-20-700-25-900	S.A.S. Accountants.
10. Rs 550-25-750-30-900	Senior Economic and Statistical Investigator, Senior Scientific Assistants, Senior Engineering Assistants (AIR), (Selection Grade for Engineering Supervisors (P &T) and Junior Engineers in C.P.W.D., Inspectors, Delhi Police, Postgraduate Teachers, Assistant Superintendent of Post Offices and R.M.S.
11. Rs 650-30-740-35-880-40-1200	Assistant Engineers, Superintendent, Central Excise/Appraiser Customs, Income-tax Officers Class II,, Section Officers (Central Sectt), Headmasters of High Schools and Vice-Principals of Higher Secondary Schools, certain Scientific, Technical and Medical officers.
12. Rs 700-40-1100-50-1300	Junior Class I posts in the All India Services, Scientific, Engineering and other Class I Central Services.
13. Rs 1050-50-1600	Senior Class I for Central Services and posts except those at S. No. 14.
14. Rs 1100-50-1600	Senior Class I scale for organised Engineering Services recruited through the Combined Engineering Services Examination, Indian Police Service, Indian Forest Service and some of the Scientific posts.
15. Rs 1200-50-1300-60-1900-100-2000	Senior Scale of Indian Administrative Service.
16. Rs 1500-60-1800-100-2000	Deputy Secretaries (Central Sectt.) Junior Administrative Grade posts in most organised Class I Services, Principal Scientific Officer (Defence), Scientists/Engineers Grade SE in Atomic Energy, Superintending Engineers, Supertime Grade II of Central Health Service.
17. Rs 2000-125/2-2250	Directors (Secretariat), Selection Grade of I.A.S. and organised Class I Engineering Services, Deputy Inspector General of Police.
18. Rs 2250-125/2-2500	Level II Heads of Departments.@
19. Rs 2500-125/2-2750	Joint Secretaries, Directors (Railway Board), Level I Heads of Departments.@
20. Rs 3000-100-3500	General Manager (Railways), Deputy Controller & Auditor General, Financial Adviser (Defence Services), Chairman, Board of Direct Taxes and Board of Customs, Central Excise, Engineer-in-Chief, CPWD, Chief Economic Adviser, Ministry of Finance, Inspector General of Forests, Chief Project Officer, Adviser (Petro-Chemicals), Chief of the Refineries in the Ministry of Petroleum & Chemicals.
21. Pay range from Rs 3000 to Rs 3500	Outstanding Scientists, depending upon individual merits.
22. Rs 35000 (fixed)	Secretaries to Government, Chief Secretaries of States, Chairman and Members of Railway Board, Director, Intelligence Bureau, Director General, Health Services, Director General, Ordnance Factories, Chairman, Central Water & Power Commission.

**NOTES: The list is merely illustrative and NOT comprehensive.

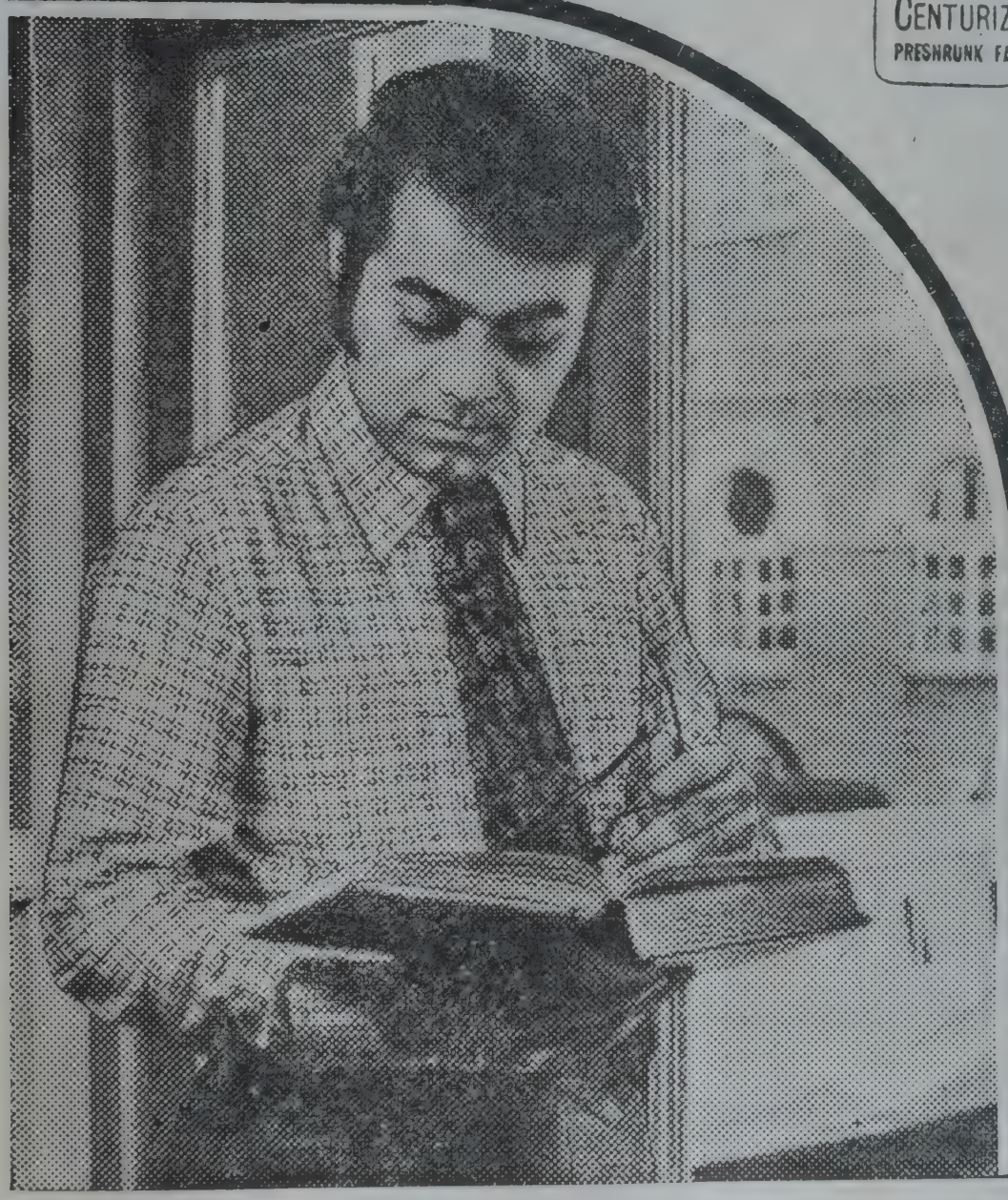
@A two tier system for Heads of Departments has been suggested.

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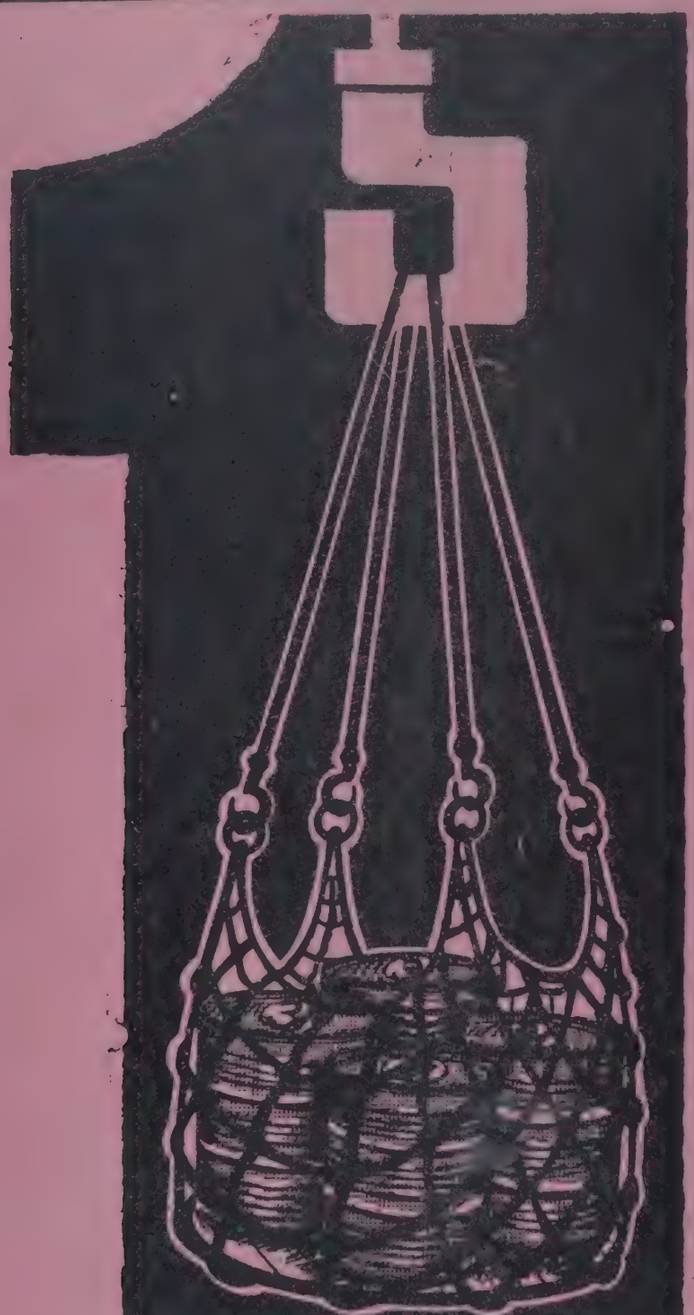
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SAIL—A Slow Sailer

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Slow-Down in Chemicals

Dialogues on Export

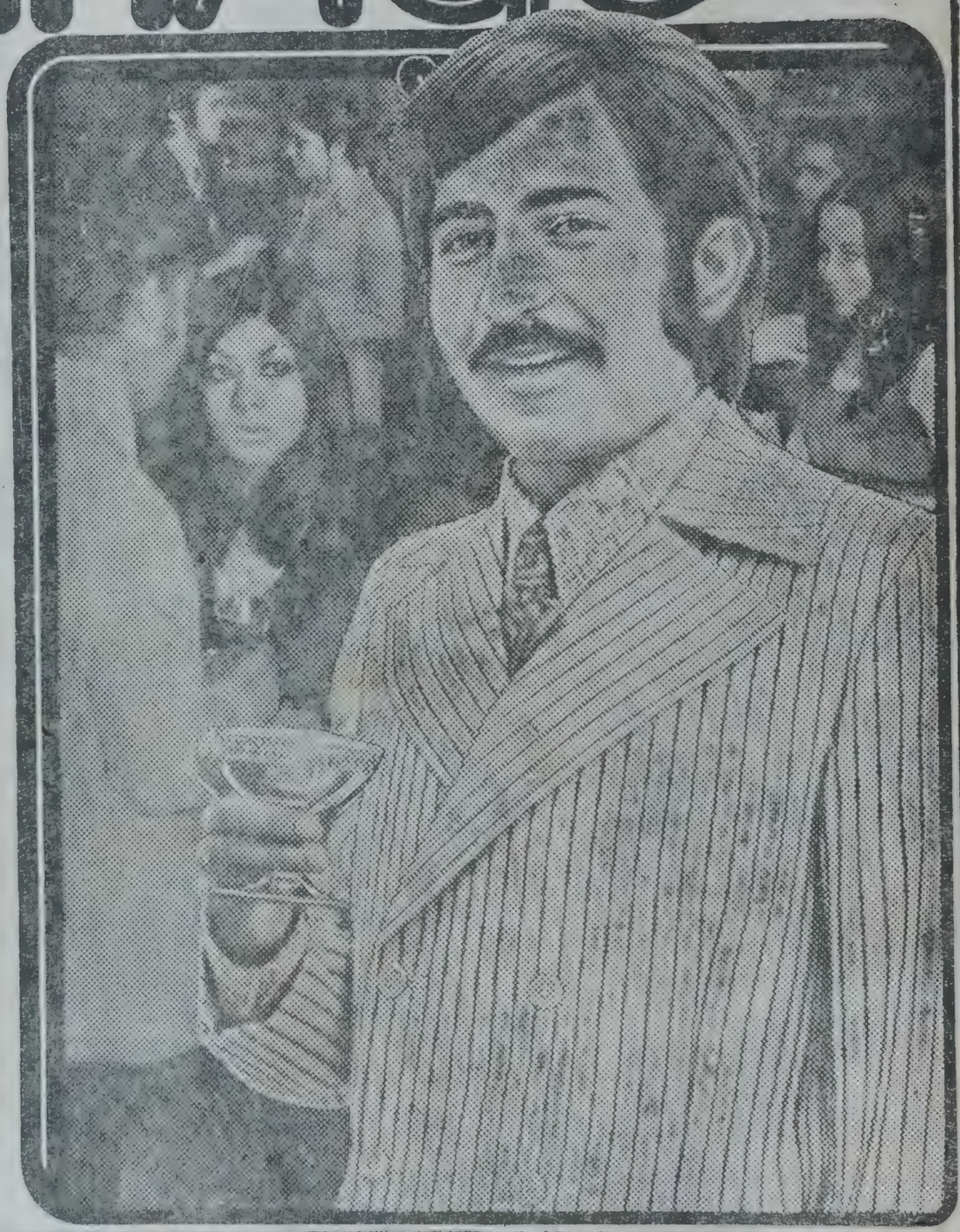
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Priorities in pharmaceuticals

LAST MONTH, in Bombay, the All India Manufacturers Organisation organised a conference of manufacturers of drugs and pharmaceuticals. Last week, again in Bombay, the Organisation of Pharmaceutical Producers of India held its seventh annual general meeting. The proceedings of these assemblies had a special importance in the context of the almost explosive expansion which is being demanded of the pharmaceutical industry in the government's projections for the fifth Plan. The targets of investment and production which are being considered for this industry would require it to step up its average annual rate of growth from about 15 per cent as at present to 20 per cent during the five years beginning from April, 1974.

The industry is naturally anxious to have firm indications in time of the government's intentions with regard to a package deal of policies for promoting this order of growth. As of now the signs are not exactly encouraging, let alone reassuring. Even before the pharmaceutical firms have completed readjusting themselves to the impact of the Drugs (Prices Control) Order, 1970, the Damocles' sword of further curbs on prices and profits has been hung right over the industry in the form of a report by the Bureau of Industrial Costs and Prices. While the recommendations in this report have not yet been made known to the public officially, enough information has become available informally to make the industry apprehensive about its future.

Any attempt on the part of the government to take a political view of prices or profits in the pharmaceutical industry and substantially reduce further the profitability of its operations may well frustrate the fifth Plan projections for its continuing growth. This is not to say that the government can or should divest itself of its responsibility to ensure that essential medicines are available in the community in adequate quantities and at reasonable prices or to deny that there may be occasions for government machinery to intervene promptly and curb unfair pricing or excessive profit-making in essential drugs or formulations in common use. While government regulation of prices or profits in the pharmaceutical industry has come to stay and must be accepted as a necessary evil, even if not desirable in itself, it is clearly in the interests of the public that the government's package of policies towards the industry in relation to prices, profits or other aspects of its functioning should be a positive and constructive one so that increasing quantities of essential medicines over an expanding range of specifications, needs or uses would be forthcoming from domestic production for the requirements of the mass health care programmes which are being written into the fifth Plan.

It is of the greatest importance here that the government should have a clear conception of the priorities for this industry. It is essential, for instance, that the production of allopathic drugs and pharmaceutical formulations should be at least doubled over the next five years if the fifth Plan is to extend the availability of modern medicine to the many millions of people in the countryside who are still to receive the benefit of even the basic health care programmes which have been initiated so far. It is important, again, that the pharmaceutical industry should step up its manufacture of basic drugs so that it becomes increasingly self-reliant in technology and materials, while ensuring that no serious gaps exist in the availability of sophisticated drugs for the public from domestic production. It is necessary too that the industry should build up steadily its export capabilities and exportable surpluses so that it may earn more and more foreign exchange for financing its essential imports. Finally, in order that the industry may be able to do all this, pharmaceutical firms, especially the leading ones in the organised sector, will have to allocate an appreciable part of their profits to the financing of R & D activities — including research of a basic or innovative character, even if, to begin with, on a modest scale.

In a special report on the pharmaceutical industry which appears elsewhere in this issue, an attempt has been made to discuss the directions in which government policy may profitably move and secure for the nation the further dynamic growth of the pharmaceutical industry. It is the main theme of this report that there should be a climate of confidence and stability for the government's relations with the industry, whether it be with regard to the issue of prices or profits or the role of firms with foreign equity or international connections. It goes to the credit of the government that the minister for Petroleum and Chemicals has offered to hold consultations with the industry before taking major policy decisions on prices or other matters. Valuable as this pledge is, it has to be emphasised that there just is not any time to waste. The government has included the pharmaceutical industry in the core sector and thereby formally recognised its high priority status. It is therefore up to the ministry of Petroleum and Chemicals and the other ministries concerned to act in the spirit of that recognition and work out policies ahead of the beginning of the fifth Plan for providing the necessary impetus to investment and production.

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Truth about sugar?

In a memorandum submitted to the Congress President, Dr Shankar Dayal Sharma, the Indian Sugar Mills Association (ISMA) has exposed the hollowness of the allegations which had been made by the All-India Congress Forum for Socialist Action against the sugar industry in Uttar Pradesh and Bihar in a booklet entitled "Truth about Sugar". The forum had held the organised sector of sugar industry in the private sector in these two states solely responsible for the present woes of this industry. ISMA has, however, marshalled the available data in a scientific manner to show that the criticism of the private sector sugar industry in Uttar Pradesh and Bihar by the Forum was misconceived and all the allegations were without any foundation.

That the production of sugar in this country has fluctuated from year to year is an undisputed fact which has caused as much concern to the sugar industry as to its critics. The Forum had however placed the blame for it entirely on the sugar industry in the north. It had argued that the production of sugar in Uttar Pradesh and Bihar had been on the decline while in Maharashtra and the southern states it had been on the increase primarily for the reason that the sugar units in the north were in the private sector while in Maharashtra and southern states, the co-operative sector predominated. The Forum had also stated that because of the exploitation of the sugarcane growers by private sector companies in the north, the output there was falling whereas the high degree of co-operation between the growers and the co-operative factories had resulted in steady increase in production.

But this thesis of the Forum did not stand up to scrutiny. The data in regard to the output of sugarcane and sugar in different states between 1968-69 and 1970-71 showed that they were not at all inter-related. Whereas in Uttar Pradesh, the output of sugarcane rose by seven per cent between 1968-69 and 1970-71, that of sugar rose by 11 per cent. Similarly, during the same period in Bihar, the output of sugarcane went up by five per cent while that of sugar rose by 13 per cent. On the contrary, in Maharashtra the output of sugarcane rose by 28 per cent but sugar output rose by only seven per cent. It was obvious that the output of sugar was not solely dependent on sugarcane production.

It is no secret that the government of India has been encouraging the establishment of co-operative sugar units in the states of Maharashtra, Mysore, Tamil Nadu and Andhra Pradesh. The increase in the capacity of sugar units in Mysore between 1968-69 and 1971-72 was of the order of 56 per cent followed by 33 per cent in Maharashtra, 28 per cent in Tamil Nadu and 18 per cent in Andhra Pradesh. In Bihar and Uttar Pradesh, the increases in capacity were no more than four per cent each. In these circumstances, it was unfair to compare the rate of increase in production of sugar in the north and the south.

As a matter of fact, the utilisation of capacity in Maharashtra had been on the decline. It fell by as much as 23 per cent between 1968-69 and 1971-72. If production in Maharashtra and other southern states was rising, it was not because of good relationship between the co-operative factories and the growers but because of the steady increase in capacity which, however, was not being fully exploited.

The sugar mills in Uttar Pradesh and Bihar, according to the Forum, had been exploiting the cane-grower by keeping the cane price arrears at a high level. Here again the figures tell a different tale. According to ISMA, the total cane price payable by the sugar industry in Uttar Pradesh and Bihar during the 1971-72 season was of the order of Rs 92 crores by the end of June, 1972. The total dues remaining outstanding amounted to only one per cent of the total *i.e.* Rs 92 lakhs. The corresponding figure for the joint stock factories in these states was still lower at about 0.7 per cent of the total payment. It is asserted by ISMA that in most of these cases, the dues had remained uncleared because the growers themselves had not collected the payments. Thus there were no significant cane price arrears whatsoever in respect of the 1971-72 season; hence the allegations made by the Forum in this regard had no basis whatsoever.

An interesting fact brought out by ISMA was that the much-maligned sugar industry of Uttar Pradesh and Bihar had to its credit solid assistance to small cane-growers. This had been demonstrated by a state-wise comparison of the average supply of cane per grower and the average number of cane-growers supplying cane to a sugar factory. In Uttar Pradesh, the average number of cane-growers supplying cane to a sugar factory was the highest at 28,000 whereas the average supply of cane per grower was 8.8 tonnes. In Bihar, the average number of cane-growers supplying cane to a sugar factory was 20,000 while the average supply of cane per grower was 6.5 tonnes. As against these figures, Maharashtra had a much smaller number of cane-growers —2,800 in all—for every sugar factory on the average while the average supply of each cane-grower was significantly higher at 86.4 tonnes. Again, out of 2.6 million cane-growers supplying cane to sugar factories as many as 2.4 millions were in the states of Uttar Pradesh and Bihar. A large number of them had sugar-cane plots which varied between 1/2 and 2 acres. Surely, Bihar and Uttar Pradesh assisted the small growers more than any other state.

If the output of sugar in Uttar Pradesh and Bihar were studied over a number of years, it would be seen that the diversion of cane supplies to the manufacturers of gur and khandsari was a powerful factor for fluctuations in sugar output. The diversion of sugarcane to these two sectors of the sugar industry was of no mean order, especially because gur did not bear any excise burden while khandsari bore a nominal one and thus they had an edge over the organised sector even with low rates of recovery. Moreover, inefficient crushing of sugarcane by khandsari and gur producers involved national waste of a high order. The fluctuation in the output of sugar in the north, therefore, was not the result of poor factory-grower relationship but due to other reasons beyond the control of the organised sector in this industry, especially diversion of cane to gur and khandsari producers.

Another charge levelled against the sugar mills in Uttar Pradesh and Bihar was their poor technical efficiency. The Forum while arriving at this conclusion had drawn upon the information given in the 1969 report of the Tariff Commission. The Commission itself had not attempted any such state-wise comparison of the efficiency of the industry which was invalid due to the fact that the operative conditions and the quality of cane varied from state to state. Moreover, the sugar industry in Maharashtra and the southern states was of recent origin while a majority of the units in Uttar Pradesh and Bihar were established more than 30 to 40 years ago. Despite these differences, the technical efficiency of the sugar factories in Uttar Pradesh and Bihar was not much below that of Maharashtra and southern states. Taking figures from the report of the Tariff Commission it has been shown that the average extraction of juice was 83.56 per cent in Uttar Pradesh during the seven-year period ending in 1966-67 as against 84.23 per cent in Maharashtra. The overall extraction rate in Uttar Pradesh (83.56 per cent) and Bihar (83.16 per cent) was better than that of Andhra Pradesh (82.52 per cent) and Mysore (82.49 per cent) and only marginally lower than that of Gujarat (83.77 per

cent) and Maharashtra (84.23 per cent). These statistics clearly show that the factories in Uttar Pradesh and Bihar can hardly be termed as inefficient in regard to the recovery of juice.

The Forum had also blamed the sugar factories in Uttar Pradesh and Bihar for comparatively high consumption of fuel. But here also the criticism has been proved to be totally misconceived. The extra fuel consumption in terms of bagasse (average for the seven-year period ending in 1966-67) in Andhra Pradesh was 2.67 per cent followed by Bihar (2.12 per cent), Mysore (1.85 per cent), Gujarat (1.77 per cent) and Uttar Pradesh (1.73 per cent). Maharashtra (1.57 per cent) had surely the best performance in this regard. But it should not be forgotten that high grade white crystal sugar is produced in Uttar Pradesh and Bihar which involves increased consumption of fuel for melting and recrystallisation while in Maharashtra raw sugar is produced in sizeable quantities for export purposes; the latter process consumes much less steam. The steam consumption factor thus does not compare unfavourably despite differences in the output of the final product, and criticism in this regard also is thoroughly misplaced. It seems that the Forum had made a superficial analysis of available data in order to start a tirade against the sugar industry. All its arguments were based on flimsy grounds and it had, it seems, made up its mind to recommend the nationalisation of the industry even before it attempted an analysis of the statistical data.

SAIL—a slow sailer

THE WORKING of the steel industry in the first four years of the fourth five-year Plan period especially in the public sector has made dismal reading and it is pathetic to be told that the ground lost in the first three years has been recovered in 1972-73 with the three major units of Hindustan Steel increasing their output of ingots by 5.3 lakh tonnes to 4.01 million tonnes. The impression is sought to be given by the spokesman of the union Steel ministry that something miraculous has happened on the steel front when the utilisation of capacity of the public sector steel plants is only about 67 per cent of total capability. A new record has of course been set by HSL as the previous best output was only 3.78 million tonnes in 1969-70. What is really distressing is the stagnation in steel production and the compulsion to spend large amounts on imports of even mild steel. The bill on this account is estimated at Rs 200 crores in 1972-73 while the aggregate amount for three years 1970-73 is as large as Rs 600 crores.

This colossal expenditure in foreign exchange for meeting the gap between demand and supply ineffectively is a sad commentary on how steel planning has gone seriously wrong and how the country is being bled white for our inefficiency and incapability to use to the maximum advantage the capacity of the public sector units.

With clever propaganda it is being sought to be suggested by those in charge of the steel plants and the ministry that the installed capacity has only theoretical connotation and it will be possible to activise the aggregate capacity of 5.9 million tonnes only if balancing equipment can be installed and there are debottlenecking operations. Even the Bhilai unit which is supposed to be the most efficient in the public sector has not achieved an operating ratio of more than 84 per cent after the expansion of its capacity to 2.5 million tonnes was achieved. Earlier it was claimed that the plant was able to function at nearly 100 per cent of its rated output. The worst sinners are Rourkela and Durgapur though the former has the advantage of being in a position to claim that it has earned the largest profit for HSL in 1972-73 even with its ingot output being only marginally higher than in 1968-69. The Durgapur plant functioned more efficiently, ironically enough, when its installed capacity was one million tonnes and its output 8.23 lakh tonnes (1968-69).

All the time Tata Iron and Steel Company has been functioning in a quietly efficient manner, there being never a drop in the operating ratio to below 85 per cent With the installation of new facilities for upgrading the quality of raw materials and increasing the availability of coking coal it is expected that there will be a steady increase in the output of ingots in the coming years. The rate of growth may become more pronounced when the modernisation programme now under implementation makes headway. The record of Indian Iron and Steel Company in the past few years however has been discouraging. Even with the claim put forward by the custodian that the downward trend in production has been arrested after the government took over the management of the company, the output of ingots in 1972-73 was only 4.33 lakh tonnes against 6.17 lakh tonnes in the previous year. Thus the net increase in output is only 3.3 lakh tonnes of ingots. Indian Iron used to function at even in excess of its rated capacity in the early sixties.

It will therefore be seen that no progress has been made at all on the production front since 1968-69 when the aggregate output was 6.31 million tonnes. The better performance was due of course mainly to IISCO as HSL's share was only 3.72 million tonnes against its contribution of 4.01 million tonnes in 1972-73. While the slip in the private sector's share is to be regretted it should not be overlooked that HSL has added considerably to its capacity and it should bear the main share of the blame for the heavy expenditure on steel imports. What is even more serious from the point of view of the economy is the setback caused to further development and the difficulty experienced by industrial consumers in planning their production schedules.

It may be explained by the protagonists of the Steel ministry that the growth in steel consumption has not been seriously inhibited by inadequate availability. This is because during the period of the depression it was necessary to export large quantities. Allowing for these exports the consumption in 1968-69 in terms of steel ingots was probably around 5.5 million tonnes. With an unsatisfied demand. and large imports the level of consumption now may be estimated at 7.5 million tonnes. An increase in offtake by two million tonnes in a four-year period cannot be considered flattering especially as the recovery has taken place from a depressed base. Allowing for the exceptional developments in 1966-69, the growth in the capacity for absorption has not been more than five per cent.

There would have been a different picture if saleable steel in the desired categories had been available freely. If it is assumed that the adjusted consumption in 1968-69 was 6.5 million tonnes, even with an increase in demand by 10 per cent annually total requirements should be nearer 10 million tonnes than 7.5 million tonnes. The target for the fourth Plan had been fixed at 10.8 million tonnes and it would now appear that actual production in 1973-74 may not be more than 7.1 million tonnes. The serious shortfall of 35 per cent has had a throttling effect in many directions apart from resulting in a heavy drain of foreign exchange through avoidable imports. It may well happen that actual output in the current year may reach even 7.5 million tonnes if IISCO acquits itself more creditably and

there is a brisk recovery in Durgapur. The Bokaro steel plant also may be in a position to make a good contribution when its furnaces are commissioned at frequent intervals.

Future steel planning however will have to be on scientific and bold lines. The new steel authority has a great responsibility as the huge amounts proposed to be spent in the fifth Plan period can yield good results only if there is a sustained growth in steel production. The Bokaro plant will of course be making good progress in the next three or four years as it has been decided to implement the expansion capacity to four million tonnes on a continuous basis. The only other unit in a position to step up its output substantially is Bhilai as its capacity also will be raised to four million tonnes in the next three years. The actual improvement in production in 1974-77 however will be only on account of Bokaro's capacity of 1.7 million tonnes and the activisation of the capacity of the existing 5 major plants of the order of 8.9 million tonnes. In the best of circumstances it may be possible to achieve an output of nine million tonnes by 1976-77. It may not be difficult to raise output at the rate of one million tonnes of ingots annually for some years and if comsumption tends to rise awkwardly, as it will, imports will have to be continued. It will be a great help from the point of view of availability and the balance of payments position if the techniques of steel making are improved and the rate of production suitably raised with the installation of balancing equipment. Steel planning should therefore have short-term and long-term objectives and the dovetailing of these objectives calls for meaningful action and SAIL has arduous responsibilities to be discharged in this connection.

Slow-down in chemicals

IT IS discomforting to note that the growth of the chemical industry, which during the sixties was as high as 17 per cent per annum, declined to 6.4 and 7.2 per cent in the last two years. With the fall in the growth rate in production, exports of chemicals too have suffered a setback. In 1971-72, they aggregated to no more than Rs 20 crores, as against Rs 23 crores in the previous year. Imports, on the other hand, went up sharply in this year to Rs 209 crores from Rs 184 crores in 1970-71.

As the outgoing chairman of Indian Chemical Manufacturers Association, Mr S. Ramaswamy, told the 32nd annual general meeting of this organisation, which was held in New Delhi early this month, the basic reasons for this sad state of affairs are many. The more important among them are: (i) Shortages of raw materials; (ii) paucity of power; (iii) transport bottlenecks; (iv) fall in demand for some chemicals; (v) capacity constraints in several lines of production; and (vi) difficulties of importing spares and components. Excessive imports of some chemicals about two years ago led to considerable under-utilization of installed capacities in those lines of manufacture.

In view of the fact that production in the chemical industry has a good deal of multiplier effect in the decentralised sector, it is imperative that an all-out effort should be made to mitigate its difficulties. The present acute shortages of power in various parts of the country may not last long as the onset of rains in about two months' time would improve the generation of hydro-electricity. The output of thermal power too is expected to go up as a result of the unit-wise investigations being carried out at present for more efficient utilization of installed capacity. Further, the strengthening of the inter-state transmission syseems ought to help in transfers of power from surplus states to the deficit areas. With the judicious restrictions placed on the imports of chemicals which had been brought in from abroad in excessive quantities two years ago, this problem as well may not remain. There are signs of some improvement in the transport field also. With the revival of economic activity, the demand for chemicals apparrently will go up. The three areas which, however, require concerted attention and developmental efforts, are: (i) supply of raw materials; (ii) import of spares and components; and (iii) augmenting of capacity in various lines of manufacture.

So far as raw materials are concerned, the main difficulties have arisen because of the inordinate delay in the setting up of the Koyali petrochemicals project and the output of industrial alcohol not keeping pace with the growth in demand. Of the two main components of the Koyali project, only one—the aromatic plant —has yet been commissioned. The other component—the olefins complex—is still to take concrete shape. It will, no, doubt, take some time for the aromatic unit to reach its rated capacity of producing 24,000 tonnes of DMT, 21,000 tonnes of ortho-xylene and 25,000 tonnes of mixed-xylene. But the situation should start easing gradually. The olefins project, which is to yield annually 130,000 tonnes of ethylene, 33,000 tonnes of polymer-grade propylene, 38,800 tonnes of commercial-grade propylene, 19,000 tonnes of butadiene and 23,600 tonnes of benzene, is anticipated to go on stream, according to the current schedule, some time next year. But despite the firming up of most of the downstream units in the recent past, the commissioning of this project might be delayed by a year or so. Obviously, there is need to expedite the work on this project as also on the Bongaigaon complex, in Assam, the foundation-stone of which was laid by the prime minister over a year ago. This complex will be much bigger than the Koyali project and will produce a wide range of petrochemicals.

Owing to the long gestation period of petrochemical schemes, the requirements of the post-fifth Plan period warrant that new complexes around the various refineries in the country should be thought of now, particularly south of the Vindhyas. The existing units at Bombay also need to be expanded. This way dispersal of chemical industries can be fostered a good deal. This aspect of the chemical industry was rightly emphasised by the union minister for Petroleum and Chemicals, Mr D. K. Borooah, in his inaugural address to the annual meeting of ICMA.

The recent liberalisation policy is bound to affect the supply of industrial alcohol for chemical industry. Already the supply position of this raw material is not very satisfactory. The situation will grow worse with the multiplication of distilleries. The plea of the chairman of ICMA for basing distilleries on alternative raw materials such as coarse grains, therefore, deserves pertinent notice. Time apparently has come when thought should be bestowed on the optimum utilization of industrial raw materials in competing industries. Mention may be made in this regard how the burning of BTX-N fraction in steel plants in the recent past to heat furnaces to make up for the low availability of coke-oven gas, created an acute shortage of this input for the chemical industry. No doubt the country needs more steel. But so also it needs chemicals. The loss to the chemical industry due to shortage of benzene has been much more than the gains achieved in the steel industry.

Much greater damage to the growth of chemical industry, however, has been done by the injudicious use of the Monopolies and Restrictive Trade Practices Act as an instrument for curbing concentration of economic power in the hands of a few. Chemical industry is not only a capital-intensive industry but also a fairly complicated industry. Denying the existing units expansion just because they happen to belong to the larger industrial houses

has led to some important chemicals becoming scarce. New and medium-scale entrepreneurs cannot be expected to venture into the field of production of such chemicals as caustic soda. Such lines of production have to be taken up either by the larger houses or the public sector if output is to be raised expeditiously. Undue contraints on the expansion of larger houses, therefore, are unwarranted. The stepping up of the import tariffs by the union Finance minister, Mr Y. B. Chavan, in this year's budget speech are bound to push up the capital costs of new projects. The accelerated depreciation scheme proposed by him is a poor substitute for development rebate. This makes all the more necessary that the MRTP Act is made applicable to the chemical industry in more flexible manner that has been the case hitherto. Liberalisation of imports of spares and components, incidentally, can go some way in helping the chemical industry to raise its output.

The recent decision of the Council of Scientific and Industrial Research to attach guarantee to its processes should induce the industry to go in for these processes as the scaling up of the processes from the laboratory scales to pilot scales and plant scales has been no small difficulty in their adoption. In view of the rapid growth the industry can be expected to make in the years to come, it is imperative that the pollution problem is given serious thought from now onwards.

Hopes and fears in tea

THE PRESIDENTIAL speech of Mr K. M. Kidwai at the annual general meeting of the Indian Tea Association in Calcutta and that of Mr P. K. Daga at the annual meeting of the Cachar branch of the Tea Association of India at Silchar (both of which were delivered last month) revealed clearly to what extent the government of India had hitherto failed to show a proper appreciation of the difficulties confronting the tea industry. That things may change for the better, however, is not unlikely and the present Commerce minister has already shown some initiative by setting up a task force for the industry (Please also see the special article "Dialogues on Export" appearing elsewhere in this issue.)

Meanwhile Mr Kidwai has declared that the most important problem faced by the tea producers was "the wholly unsatisfactory trend" of the sale prices over the years. He said : "The combined average sale price of leaf and dust tea for both the Calcutta and London auctions was Rs 6.07 per kg in 1960-61 as compared to Rs 7.24 per kg in 1971-72, a meagre rise of 19.3 per cent over a period of 11 years. During the same time wholesale prices of all commodities in India appreciated by 86 per cent. In tune with inflation in the country, production and marketing costs have risen steeply over the last decade while sale prices have remained virtually static. The results have been the inevitable depletion of resources leading to economic distress in varying degrees."

Mr Kidwai pointed out that the average rate of incidence of excise duty in north India was 82.42 paise per kg in 1970-71 against 18.17 paise per kg in 1960-61, a rise of more than 450 per cent. He explained that because of the abundance of supply as compared to demand, the excise duty was a tax on production and that in a buyer's market it was not possible to pass on to the consumer any increase in costs, whether from excise duty, higher wages or other causes. Mr Kidwai suggested that a realistic world regulation of exports was the only short-term measure for raising prices to a fair level though, in the long term, vigorous efforts by all producers were needed to expand demand.

Mr Daga recalled the finding of a recent study made by the Reserve Bank which revealed that while the profits of all industries fell from 10.9 per cent in 1960-61 to only 9.3 per cent in 1969-70, those of the tea industry steeply declined from nine per cent to 4.3 per cent in the same period. He made the following suggestions to improve the tea industry's health. Depreciation allowance should be allowed to the tea plantations at the rate of Rs 26 per 100 kg of tea produced. The development allowance on replanting which was allowed for five years and discontinued since 1970 should be reintroduced. The rates of state agricultural income tax should be revised to realistic levels. Food supplies in the tea estates should be the responsibility of the state governments. Finally, the state governments should frame guidelines for exempting marginal and losing gardens from the obligation to pay minimum bonus. Mr Daga also suggested that since the cost of replanting and its maintenance had increased enormously, the subsidy amount should be at least doubled to enable the gardens to meet the higher costs.

The central government and the state governments concerned should consider the tea industry's difficulties with sympathy and speed and make it possible to function efficiently. The tea industry also seems to entertain fears about take-over. Though the government's intention at present seems to be to take over only the sick gardens, it is apprehended that, in due course, the healthy ones may also come under state ownership. But, surely, the tea industry's problems cannot be solved merely by a change in ownership. Mr Daga warned that there is going to be "a very severe competition" in the export field. For example, in 1961 the east African countries produced only 49 million kgs while in 1971 their crop was 107 million kgs and the estimate for 1980 is 293 million kgs, an increase of 600 per cent. The Indian tea industry therefore should be able to increase production, improve quality and sell its product at competitive prices.

It has been estimated that to meet the increasing domestic consumption and to keep up exports under the international quota scheme, the growth rate in the production of tea should be raised from the present level of about two per cent to over three per cent: and for achieving this, the industry needs substantial funds as well as various other facilities. It is reported that the tea estates are facing difficulty in getting tractors under the hire purchase scheme of the Tea Board while the supply of fertilisers has also become scarce. Mr Daga said that the non-application of the required dose of nitrogenous fertiliser would have "serious consequences" on tea production not only for this season but for several years.

But despite these and other difficulties, Mr Kidwai and Mr Daga seemed to vie with each other in praising the Tea Board. Mr Kidwai said that the chairman and other officers of the Tea Board had always given "the fullest support and help" to the industry. Mr Daga observed that the board had been rendering "very useful assistance" to the industry and that its officers had been "remarkably successful" in performing their tasks. It is hoped that these generous compliments will not create complacency in the Tea Board and that it will take timely and effective steps to keep the industry always in good health. The Tea Board should examine the specific proposals made by these two associations and make suitable recommendations to the government of India. The latter should not only allay the tea industry's fears regarding take-over but should adopt prompt and positive measures to enable it to play its role as a major earner of foreign exchange and a large provider of employment,

Dialogues on export

A correspondent

Dr D.P. Chattopadhyaya, the Commerce minister, has initiated what he describes as "constructive dialogues" with the representatives of industry and trade in different parts of India with a view to discussing problems of export promotion. He has already held talks with the representatives of the jute, tea, engineering and textile industries and is expected to meet others shortly. These discussions will, of course, help the Commerce minister to have a clear idea of the difficulties of industry and trade in increasing and diversifying exports. But it seems doubtful that the Commerce ministry by itself will be able to do much to impart some dynamism to the country's export drive.

In the last three months, many important meetings were held in New Delhi to discuss the various problems relating to export promotion. For example, on December 13, a meeting was held of the chairmen and secretaries of export promotion councils, commodity boards, chambers of commerce and similar organisations. This meeting discussed the problems relating to the availability of raw materials, turn-key projects, generalised scheme of preferences, organisatonal matters of export promotion councils, and the difficulties experienced by major export industries. On February 1, the Board of Trade met and made many recommendations of a general nature and also in regard to specific commodities for increasing exports. On February 17 and 18, the Advisory Council on Trade also met at New Delhi at which various problems relating to exports and imports were discussed and many constructive proposals were made.

irrelevent suggestions

The Commerce minister therefore seems unlikely to get any new ideas on export promotion. In fact, some of the suggestions made by him in the course of his discussions do not appear to be of immediate relevance to the problems faced by our export industries. For example, the jute industry explained to the minister how the absence of any relief in the central budget in regard to export duty had greatly disappointed it and that this step was highly desirable and essential to enable it to sell its goods at competitive prices. Dr Chattopadhyaya's inability to do anything about export duties is understandable since this falls within the jurisdiction of the ministry of Finance. But unless some positive measures are taken in the immediate future either through the reduction or removal of export duties or other effective fiscal measures, the prospects of a sharp rise in jute goods exports do not seem to be bright. Dr Chattopadhyaya has urged the jute industry to devote more money to research. This is, of course, important but it will take time to produce concrete results. The minister has also suggested that there should be close co-operation between the jute industries of India and Bangladesh in order to ward off the competition from synthetics. There have been talks about Dacca and Delhi acting together to save the jute industry of both countries ever since Bangladesh was born. But till now no information is available to what extent the talks in this direction have progressed. In any case, the Indian jute industry will be able to co-operate effectively with its counterpart across the border only if the former's financial health is in a sound condition.

viable strategy

Dr Chattopadhyaya has assured the tea industry that a task force has been set up by his ministry to look into some of its problems and that appropriate action would be soon taken on its recommendations. This task force is to consist of the representatives of the tea industry and trade and it has been asked to submit its report within three months, suggesting a viable and long-term strategy for increasing the production and export of tea. Since this industry's difficulties have been already examined by many committees in the last few years, one wonders where is the need for a task force? Incidentally, it will be worth our while to know what exactly are the differences between task forces, committees, working groups, study teams, and so on. It seems clear, however, that all these bodies have one common purpose, namely to delay action indefinitely!

The Commerce Minister's discussions with the representatives of the engineering industres have revealed how dilatory procedures continue to hinder exports. It was pointed out that non-ferrous metals, precision castings and forgings as well as other materials are not readily available to the engineering industries at competitive prices. The process of canalisation has created considerable delay and other complications in securing imported materials from abroad. Incentives like cash assistance and duty drawbacks are generally made available to the exporters after inordinate delay.

certain incentives

The import policy for 1973-74 provides certain incentives for export promotion. These include greater freedom for export-oriented units to have foreign collaboration, special procedures for importing capital goods, preferred sources of supply and facilities for expansion to the exporting units, and larger import replenishment and other types of assistance. All these will, of course, prove helpful to export promotion provided the other economic ministries also play their part in helping the industries concerned to maximise their production and sell their goods abroad at competitive prices. Dr Chattopadhyaya should also initiate dialogues with his ministerial colleagues and try his best to ensure that their policies and procedures actually help the promotion of exports. The fact that the Commerce minister does not enjoy cabinet status will weaken his efforts to some extent in seeking the effective co-operation of the other ministries. But the Prime Minister should see to it that Dr Chattopadhyaya is not in any way handicapped in getting the full support of the other ministries in giving a strong boost to export promotion.

The Commerce minister has announced his intention to have dialogues with the trade unions also in regard to problems of export promotion. It is difficult to see what useful purpose will be served by such discussions. The best way in which the trade unions can co-operate with export promotion is by persuading the workers to maximise production and productivity. The large losses in industrial production every year due to labour unrest certainly affect the country's exports. But it is mainly the task of the Labour ministry to avoid industrial strife by settling differences through legal methods. The Commerce minister therefore would do well to

concentrate his attention on problems of direct concern to the country's foreign trade instead of wasting his time in having discussions with the trade unions.

Dr Chattopadhyaya would do well to bring about proper co-ordination among the different departments of his own ministry. He should also try to see that the various advisory bodies attached to his ministry function properly and serve a useful purpose. India can certainly achieve a respectable share in the world export trade—at present it is less than one per-cent—provided efforts are made to create sufficient surpluses for export and our merchants and manufacturers are given effective incentives to sell their goods to the distant and difficult markets abroad. The Commerce minister's dialogues will have the desired effect only if New Delhi is prepared to act with realism and speed in tackling the many difficult problems confronting industry and trade in regard to industrial production and export promotion.

What influences Indian investment?

Philippe Guitard

THE GROSS National Savings as percentage of the Gross National Product in India are 10.2 per cent and approximately correspond to the figures given in Table I. These figures show that there exists a relationship between economic development and investment. In its theory W.W. Rostow states that a country in the 'take off' stage must have such a ratio at least up to 10 per cent.

If we look at the Domar-Harrod model, we can understand the relations between these numbers. For example, with a propensity to save of 0.2 and an average productivity of investment of 0.5, we can say that the GNP will grow by 10 per cent a year. But we must be aware that capital formation is not the only factor of growth A.K. Cairncross says: "A moment's reflection will show that even an average return of 20 per cent to capital in a country saving 10 per cent of its income annually would raise income by no more than one per cent per annum. Similarly efforts to impute the recorded expansion in industrial production to the additional labour and capital contributing to it, invariably leave a large unexplained residue."[1]

productive sector

In such a context, our aim will be to concentrate only on investment in India, not to determine its exact share in the development process, but to try to know which are the variables which induce these investment trends. We will deal exclusively with investment in the productive sector *i.e.* agriculture, industries and trade, without taking into consideration foreign investment. The reason to divide investments into categories is that the rules they follow are not the same. How can you compare an investment in education with one in the infrastructure or in a steel factory!

Thanks to a multivariate regression, it will be possible to see the interdependence between investment and other variables in the past. Considering that the economic conditions do not change too much, we will be able to project these results in the future. It will be possible then to act upon these variables so as to develop investment, considering that it accounts for a main part of the economic development.

We will consider first the general situation of India and explain the econometric method we will use. In a second point, we will determine the variables and then analyze the results.

general setting

(A) *Investment problem in India*

The general underdeveloped economy of India is a very well known fact. So I will only outline some important facts which might interfere with the investment problem.

The first point has to deal with the policy problem in India. Nehru in 1954 wanted 'A socialist pattern of society' for India. This does not mean that right now, a great part of the Indian economy is owned by the state. In 1956, 10 per cent of the GNP was raised by state enterprises, and the government share has increased only by four per cent during the last 15 years. We will not say then, that India is a socialist country.

Another fact I would like to point out is the great differences between the cities and the countryside. Seventy-five per cent of the Indian population lives in small villages where the economic life is still very primitive. On the other hand, in such cities as Bombay, Calcutta and Delhi, the modern economic processes are very important. As investment is considered, we will have to be aware that urban people may have more influence for economic development than peasants.

We must be also aware of the problems raised by the influence of taxation in India, concerning both sides of the budget—taxation and expenditures. We must know that personal income tax may attain 89 per cent of the income, and corporate tax rate is 70 per cent of the profit.

From the graph on page 806 we can see that investment and GNP have had a

TABLE I

Gross National Saving as Percentage of GNP

per capita income[2], $	50	100	200	300	400	500	800	1000
Gross National Saving as percentage of GNP	9.4	12.0	14.8	16.4	17.6	19.3	20.5	21.5

similar evolution during the last 10 years. But since 1967 investment has not grown as fast as GNP. It is certainly too early to see if these different trends will continue to draw apart. This shift towards more consumption and less investment may be explained by the severe droughts which occured in 1966-67.

(B) *Econometric method: A multi-variate regression*

We will consider that X is the investment function and z_1 the explanatory variables.

we can write:

$$X = A.Z + e$$

with Z the matrix of the explanatory variables, e the matrix of the residuates and A the matrix of the coefficients.

$$X = \begin{pmatrix} a_1 & a_2 \ldots . & a_n \end{pmatrix} \begin{vmatrix} z_1 \\ z_2 \\ \vdots \\ z_n \end{vmatrix} + \begin{pmatrix} e_1 & e_2 \ldots . & e_n \end{pmatrix}$$

We must be conscious that X will be considered as a dependant variable.

"The model specifies the conditional probability law of the endogenous varibale for any value of the exogenous variable."[3]

To obtain estimates of the coefficients a_1, we will use a linear regression, for other methods such as the exponential correlation are still in a research stage, for multivariate regression.

If our matrix is not like:

$$X = \Sigma_{n=1}^{n} \; a_i \; z_i + b_i + e_i$$

it is to simplify the problem. Nevertheless, we could go back to the normal form through the following operations:

$$X = \Sigma_{n=1}^{n} \; a_i \; z_i + e_i$$

$$\text{with } z_n = 1 \text{ and } a_n = b_i$$

But before going further into the mathematical analysis we must discuss the restrictions induced by this model.

The variables we are dealing with must be considered without any error. In our case, we will estimate that these errors are inferior to the errors due to the regression.

The residuates e_i shall be pairwise uncorrelated and must have a zero expectation: E(e)=O, and if so, they have a variance: σ^2

In the end, the residuates must have a normal distribution of probability.

Application.

$$X = A.Z + B + e$$

$$X = (A\ B).\begin{pmatrix} Z \\ I \end{pmatrix} + e$$

$$\text{if } A = (A\ B) \text{ and } Z = \begin{pmatrix} Z \\ I \end{pmatrix}$$

we have : $X = A.Z + e$

Mzz being the matrix of order n+I built with the moments of second order of Z.

$$Mzz = \frac{1}{n+1} \; \Sigma_{n=1}^{n=n+1} \; (Z - \bar{Z}) \; .(Z - \bar{Z})',$$

$$\text{with } \bar{Z} = \frac{1}{n} \Sigma_{n=1}^{n} \; Z.$$

Mzz being the matrix of order n of the Z

$\bar{M}zz$ being the matrix of order n built with the moments of second order of Z:

$$\bar{M}zz = \frac{1}{n} \; \Sigma_{n=1}^{n} \; (Z - \bar{Z}) \; . \; (Z - \bar{Z}),$$

and we know:

$$Mzz = \begin{pmatrix} (Mzz\ \bar{Z}) \\ (\bar{Z}' \quad 1) \end{pmatrix} \text{ and } Mxz = \begin{pmatrix} (Mxz) \\ (\bar{X}) \end{pmatrix}$$

and $\bar{M}zz = (Mzz = ZZ')$ and $\bar{M}xz = (Mxz - \bar{X}Z')$

if A° and b° are the estimates of A and b, without any residuate, we can write:

(1) $Mxz - A^\circ . Mzz = O$

this equation can be derived from the square of:

$Y = A.Z$, with $Y: X = Y + e$

(1) can be written:

$$\begin{pmatrix} (Mxz) \\ (\bar{X}) \end{pmatrix} - (A^\circ\ b^\circ) \; . \; \begin{pmatrix} (Mzz\ \bar{Z}) \\ (\bar{Z}' \quad I) \end{pmatrix} = O$$

Hence we get:

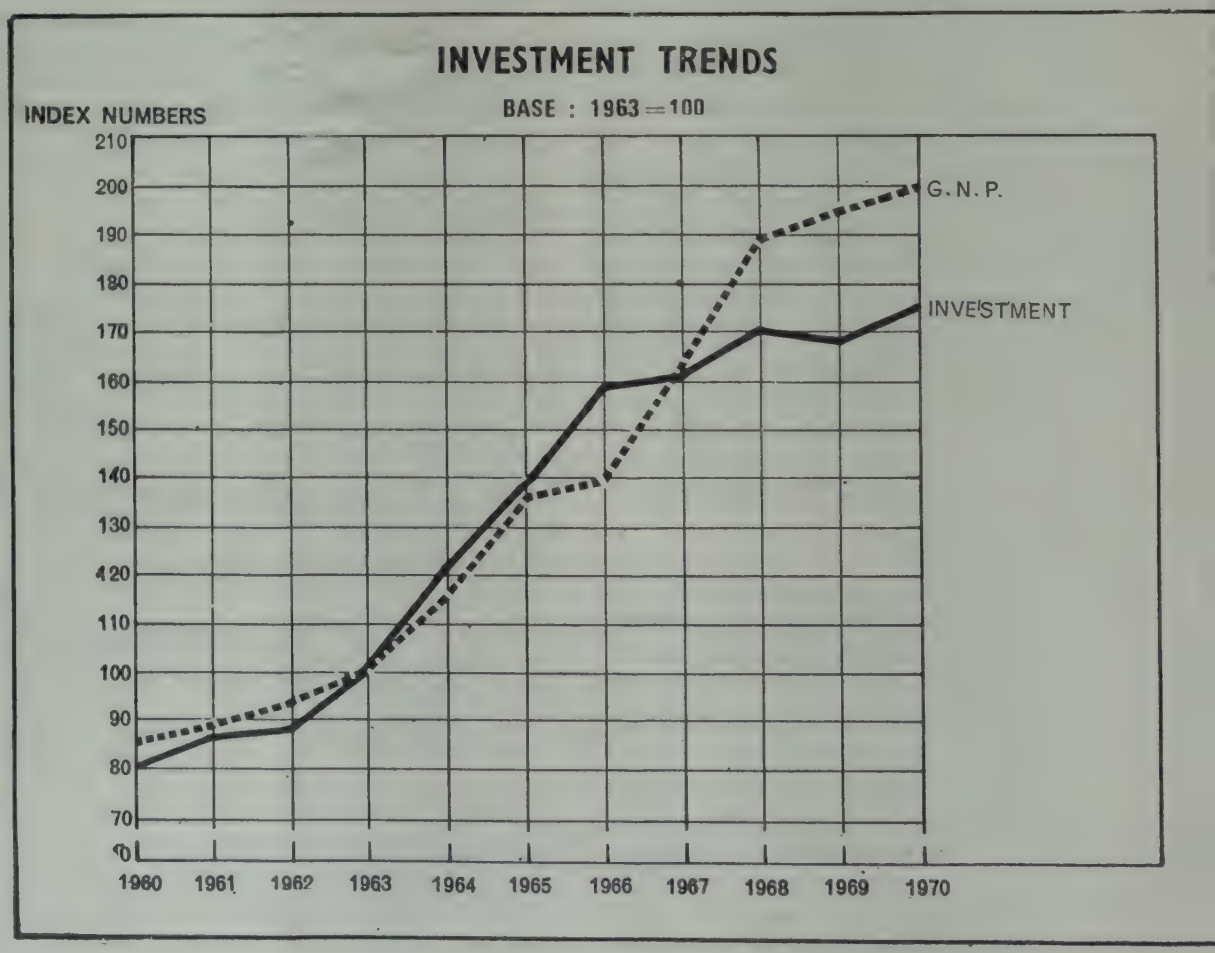
$$Mxz - A^\circ \; . \; Mzz - b^\circ . Z' = O \quad (2)$$

TABLE II

Investment Trends

	1960	61	62	63	64	65	66	67	68	69	70
GNP	85	89	93	100	115	136	140	162	189	194	200
Investment	80	86	88	100	122	139	159	161	170	169	175

Source : Statistical Pocket Book of the Indian Union.



and $\bar{X} - A^\circ \cdot \bar{Z} - b^\circ = O$ (3)

From (3) we can detrmine b° in function of A°, by replacing b° into (2) and by knowing that (2) is satisfied by $\bar{X}$.

Hence we get:

$(Mxz - \bar{X}.\bar{Z}') - A^\circ (Mzz - \bar{Z}.\bar{Z}') = O$

or $\bar{M}xz - A^\circ \cdot \bar{M}zz = O$

Then we get:

$$A^\circ = \bar{M}xz / \bar{M}zz \quad (3)$$

$$b^\circ = \bar{X} - (\bar{M}xz / \bar{M}zz) \cdot \bar{Z} \quad (4)$$

Estimation of residuate.

We shall determine the variance of A and b : σa^2 and σb^2.

Let $\sigma 2$ be the variance of the residuates e.

We know that:

$$M^\circ ee = Mxx - (A^\circ b^\circ).(Mzx) = Mxx - A^\circ \cdot (\bar{X}') \cdot Mzx - b^\circ.\bar{X}'$$

if $M^\circ ee = \frac{1}{n} \sum_{n=1}^{n} e \cdot e'$

in taking (4) into consideration, we get:

$$M^\circ ee = (Mxx - \bar{X}\bar{X}) - A^\circ (Mzx - \bar{Z}\bar{X}') = \bar{M}xx - A^\circ \bar{M}zx$$

then :

$$\sigma a^2 = \frac{\sigma 2}{n} \bar{M}zz$$

$$\sigma b^2 = \frac{\sigma 2}{n} (I + \bar{M}zz \cdot \bar{Z}\bar{Z}')$$

analysis and results

(A) *The variables*

To determine which are the explanatory variables is the core of the subject. In fact, if we would like not to depend on subjective criteria to choose them, it would be necessary to go further and try to apply the factor analysis method. Having neither the time nor the data to complete such a research, I will try to determine as rationally as possible these variables.

Investment depends on two main aspects, supply and demand. "The supply of capital is governed by the ability and willingness to save; the demand for capital is governed by the incentives to invest."[4]

For a long time, people have mainly studied the saving process, ignoring the demand aspect. I think that the demand aspect is the core of the problem, for there are potential savings in every country in the form of jewels, worship spending or even the strange phenomenon of the 'Potlash' of primitive tribes which, according to Georges Bataille can be found in every society.

The supply

The supply of savings for investment in the productive sector may be divided into three parts. The first one being the supply of investment by the government, the second one profits or self-investment, and the third and main one personal savings. These savings are dependent on the size of the income and on its distribution. James S. Duesenberry has shown that poor people do not save, mainly because of the 'demonstration effect'.[5]

The demand

On the other hand, the demand for savings is very important because these savings will be employed in conspicuous consumption. "The inducement to invest may be low because of the small buying power of the people, which is due to their small real income, which again is due to low productivity."[6]

To measure the inducement to invest on the sole basis of productivity is, I think, too restrictive, and Brazil which may have had the same productivity as Paraguay is nowadays developing much faster. In this case, other elements such as the size of the population, the transportation facilities and the change in the values may be of great importance.

The variables

As we are willing to explain the variations of investment in India, the explicative variables we will consider must also be considered as functions. To ease the comparisons between these variables, we will express them in the form of an index, taking into consideration the values at current prices, between 1960 and 1970. The two conflicts with China in 1962 and Pakistan in 1965 were not so important as to bias our data. The year of origin we will choose is 1963, for I think it is a representative year, with no war, no droughts or other unexpected events.

The variables will be the size of the population, the size of the urban population and the size of total income. The distribution of the income will not be considered, for its variations have been too small.

(base 1960-61=100)

levels of the population in percentage, from the poorest to the richest	evolution of the distribution of income at 1961 prices. 1967-68
0-5	98.9
5-10	101.6
10-20	101.9
20-30	102.2
30-40	102.6
40-50	103.7
50-60	104.1
60-100	104.4

We will also consider as a variable the inflation rate, as it may have a great influence on the level of saving, and the amount of taxes levied by the state, as it may hinder private savings. In the

TABLE III

Levels of Investment, Taxes and Inflation

Years	Pop. Tot.	Pop. Urb.	Product.	Inflat.	Taxes.	Investm.
1960	93	91	89	80.8	66	80
1961	95	94	92	87.2	73	86
1962	98	97	95	93.6	88	88
1963	100	100	100	100.0	100	100
1964	102	104	107	106.4	130	122
1965	105	107	102	112.8	150	139
1966	108	111	104	132.8	170	159
1967	110	115	114	152.8	189	161
1968	113	120	115	151.0	189	170
1969	115	124	123	154.0	198	169
1970	119	129	129	160.0	218	175

Source: Indexes derived from data published by India Central Statistical Organization, *Statistical Pocket Book of the Indian Union.*

end, we will also consider productivity.

(B) **The results**

In figures

We have treated the problem, thanks to the Computer program MPRBCK of the George Washington University Computer Center.

The correlation matrix we obtain for the 6 variables, if we call the dependant variable INVEST and the explicative ones: TAXESS, INFLAT, PRODUC, POPURB, POPTOT, will be as givan in Table IV.

The dependant equation will be:

INVEST=73.484+0.67 TAXESS+0.41 INFLAT — 0.91 PRODUC — 0.02 POPURB+0.11 POPTOT.

The standard error of the estimate is 4.78, out of the dependant variable mean which is 131.73.

The multiple correlation coefficient, R is 0.9959.

From the above matrix, it is possible to see that there is a great correlation between the first four variables, but a very small one with the last two ones. We will try to understand and to explain these correlations.

Analysis

The correlation with inflation is not very interesting and we can see directly on the data, that is in real terms, investment has not increased very much since 1960, in relation with inflation.

The very small correlation between investment and the population factor is difficult to understand. For my part, I might have thought that as the urban sector of the population is growing, more working opportunities have to be created and this might have induced more investment. This faulty correlation may be due, in fact, to the influence of inflation which distorts the real per capita investment. But, of course, we can also see that while the population growth is usually steady, the investment growth depends on the economic situation and in an underdeveloped country, where the agricultural sector represents a great part of the national income, the economic situation depends then on natural factors such as the weather, which are unpredictable. In fact, I think that to find out a correlation between these variables, we might have taken the value of investment at constant prices and might have taken a far greater period of time.

The correlation between investment and productivity is quite good (0.8976) but is it because more investment allows better equipment to perform greater productivity or the inverse? It is difficult to answer this problem because, in the case of India, both solutions take place and to know which is the stronger is impossible. On the first hand, productivity in India is very low and it might be easy to increase it and then to get additional resources to invest. But on the other hand, and this may be the reason of a negative correlation coefficient, increasing productivity may not lead to an increasing profit because at both the personal or the corporate levels, taxation is very high, in the first case it could attain 89 per cent of the income and in the second one it attains 70 per cent of the profit. So we can say that it is difficult to use a better productivity for the private sector to invest. This could explain why the correlation with taxation is the highest, for the state has increasing resources to invest.

This great correlation between investment and taxation corresponds to an investment policy of the Indian government. If we look at the statistics, we can see that 8.5 per cent of the Gross National Income is state investment. Of course, this is not directly comparable to private investments for it concerns sectors like health, education and economic infrastructure, but nevertheless, if India invests only 10 to 12 per cent of its GNP, the share of the government is crucial.

The influence of the Indian government seems to be overwhelming in the investment process. It might be very interesting to analyze its policy to see if it is well adapted to its great role!

TABLE IV

Correlation Matrix

	INVEST	TAXESS	INFLAT.	PRODUC.	POPURB.	POPTOT.
INVEST	1.0000	0.9906	0.9711	0.8976	0.1399	0.0174
TAXESS	0.9906	1.0000	0.9793	0.9323	0.1146	0.0111
INFLAT.	0.9711	0.9793	1.0000	0.9370	0.0528	0.0755
PRODUC.	0.8976	0.9323	0.9370	1.0000	0.2056	0.0781
POPURB.	0.1399	0.1146	0.0528	0.2056	1.0000	0.9914
POPTOT.	0.0174	—0.0111	—0.0755	0.0781	0.9914	1.0000

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(4) Ragnar Nurkse: Capital Formation in Under Developed Countries; p.5.

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Introducing Australia

Jossleyn Hennessy
London.

I
The Background

THE OECD has published its first Annual Survey of Australia, which became the twentythird OECD member in June, 1971. This first Survey is of special interest because it gives an introductory round-up on Australia and its economy.

Australia, says the OECD, is a relatively young country. Although earlier landings are reported, it was not until 1770 that possession was formally taken of the continent's eastern coast in the name of the British Crown. Colonisation began inauspiciously with the arrival of the first convict fleet in 1788. During the nineteenth century free emigrant settlers gradually extended British sovereignty to the country. Six 'colonies' were established and attained self-government in domestic affairs in the second half of the century. The Commonwealth of Australia came into being on January 1, 1901, with federation of the six colonies by an Act of the United Kingdom parliament. The Commonwealth of Australia Constitution Act established the federation's independence from the mother country and forms the Australian Constitution. The federal system remains to this day a source of some obstacles to efficient government but firmly rooted in the political institutions and public opinion of the various states.

WINDOW ON THE WORLD

Australia exceeds all western Europe in area and approximates that of the continental United States excluding Alaska. The distance from Sydney in the east to Perth in the west is about 2,000 miles by air. The population of 13 millions, less than that of the Netherlands, lives almost exclusively in the non-tropical coastal fringe, with the greatest concentration in the southeast corner. No less than 41 per cent of the total population live in the two largest cities, Sydney and Melbourne, and a further 21 per cent in other cities of more than 100,000 inhabitants. The main reason for the low density of population is because (as in the northern half of Africa) most of the interior is either uninhabitable or at best usable for sparse pasture, apart from isolated mining settlements. Almost half the total area receives on average less than 250 millimetres of rain per year. Almost over three-quarters of the continents' rainfall is exceeded by evaporation and is unusually variable. There are sheep stations where it rains once every two to five years.

From the earliest days, Australian attitudes and policies have been profoundly influenced by the country's empty spaces and harsh environment. To fill some of the empty spaces and develop the country's natural resources by bringing in people and capital has been an imperative of national policy that has begun to be questioned only in very recent years. Until World War II, the inflow of people came almost entirely from the British Isles. At the 1947 census only 2 per cent of the population was of non-British origin. Since then, nearly one-half of the immigrants, some 1.4 million, have come from continental Europe and in recent years some 8,000 a year from Asia. Opposition, especially by organised labour, to the introduction of indentured labour from the Pacific islands led to the adoption of the "White Australia Policy" in the 1890s. In recent years, the "restrictive immigration policy" has been liberalised to admit immigrants from Asian countries in numbers and with qualifications likely to facilitate assimilation. The inflow of capital during the nineteenth century, also almost wholly from the United Kingdom, took the form partly of loans raised in London by colonial governments for railways and other public works, and partly of private investment, direct and through banks and finance companies, in the developing rural industries and later mining and some manufacturing. Since World War II, capital inflow has consisted almost entirely of private direct and portfolio investment mainly in manufacturing and more recently in mineral development, and has come from the United Kingdom (45 per cent), the United States (40 per cent) and from various other countries, including recently from Japan. Despite century-long efforts by Australian governments to encourage settlement in rural areas and "decentralisation of industry", most of the people and most of the capital have, for basic economic reasons, flowed into the cities. It is the relatively labour-intensive rural industries, such as dairying, dried and fresh fruit and sugar, which have in part resulted from policies for closer settlement, that are among the high-cost industries requiring subsidies or other forms of protection. The same might be said of those parts of textile and other manufacturing industries which were encouraged by earlier efforts towards decentralisation.

urban problems

Recent questioning of the policy of large-scale immigration has been based mainly on concern about urban problems and doubts whether the economic benefits justify the social and other capital costs of equipping a rapidly growing population. Public criticism of the open-door policy for foreign investment has fastened mainly on concern over foreign onwnership and control of Australian industry. Yet development, which in Australia means population growth as well as growth of per capita income, remains central to the thinking of most Australians about national policy objectives.

The unfavourable natural environment, with its constant menaces of drought and flood and its enormous distances, induced social attitudes and public policies in Australia rather different from those characteristic of nineteenth century America, where private initiative and competition prevailed. The effects of the natural environment were reinforced by the very different background of most of the immigrant settlers. Unlike the waves of immigrants to the United States, who came from pre-industrial societies, most of Australia's immigrants came from British industrial cities and were urban working-class people, not a few imbued with the

ideals of the incipient trade union movement. An egalitarian philosophy thus permeated not only the labour movement, which was able to organise and to gain political influence relatively early in Australia, but a broad cross-section of the community.

II

Australia's Ideology

The impact on the country's economic and social development has been profound. One effect was acceptance, even in the heyday of *laisser-faire* liberalism, of a relatively large measure of government intervention in the economy and a relatively large public sector. Railways and other public utilities have always been almost exclusively public enterprises, while in the more commercially viable fields of transport and communications (e.g. shipping, airlines, radio and television) as well as in banking and insurance, state and private enterprise commonly compete. A no less important effect has been a widely felt sense of obligation to protect the small man—be he worker, shopkeeper, farmer or manufacturer—and a generally protectionist commercial philosophy extending to the protection of both capital and labour. Australia's position as a pioneer of the Welfare State in social security and labour legislation, Australia's system of compulsory arbitration to resolve labour market disputes, and its price support schemes for farmers, and tariff protection for manufacturing industries, all these may be regarded as manifestations of this attitude. Perhaps in consequence, income and wealth appear to be relatively evenly distributed.

The Australian economy emerged from the limitations of a convict settlement through the development of the wool industry in the 1830s, the gold discoveries of the 1850s and an increasingly broadly based rural, mining and manufacturing development in the second half of the nineteenth century. The pastoral and agricultural industries were naturally land and capital intensive, with rural holdings large by European standards, typically operated on a family basis with limited reliance on hired labour. The medium size of rural holdings in 1966 was almost 140 hectares. The immense size of "stations" (pastoral properties) on land with low carrying capacity will be grasped when it is realised that the average size of all holdings is 1,950 hectares. Mining, apart from gold, was for long confined mainly to silver, lead and zinc. Modern manufacturing began in the 1860s with cotton textile weaving. The application of British enter-

TABLE I

GDP and Civilian Employment by Sector

		Australia	Belgium	Canada	France	W. Germany	Japan	Netherlands	Sweden	UK	US
						A GROSS DOMESTIC PRODUCT					
Agriculture	1950	27.0	8.4	13.2	14.7	10.4	21.4	14.2	10.3	6.1	7.0
	1960	13.2	7.3	6.9	9.5	5.7	14.9	10.5	7.2	4.0	4.0
	1970	8.1	4.5	5.2	6.0	3.1	7.8	6.2	4.0	2.9	2.9
Manufacturing	1950	24.3	29.3	28.6	38.3	38.9	23.2	30.0	30.5	36.7	29.2
	1960	28.9	29.7	26.1	36.6	42.2	29.2	31.6	28.2	36.3	28.4
	1970	27.8	31.8	24.5	35.8	43.0	29.9	29.0	26.1	33.3	25.6
Other Industry	1950	10.1	12.3	11.7	9.0	10.7	15.7	9.8	10.9	11.5	9.5
	1960	12.7	10.8	13.1	11.4	12.3	16.3	11.0	12.0	11.8	9.5
	1970	14.4	10.8	12.5	12.6	11.7	16.1	13.0	10.9	11.0	8.6
Services	1950	38.6	50.0	46.5	38.0	40.0	39.7	46.0	48.3	45.7	54.4
	1960	45.2	52.3	53.9	42.5	39.8	39.7	46.9	51.0	47.8	58.2
	1970	49.7	53.0	57.8	45.6	42.2	46.2	51.8	59.0	53.0	62.9
						B CIVILIAN EMPLOYMENT					
Agriculture	1950	14.6	11.1	22.9	n.a.	24.7	n.a.	14.3	n.a.	5.6	13.5
	1960	11.1	8.7	13.3	22.4	14.0	30.2	11.5	13.6	4.1	8.3
	1970	8.2	4.8	7.7	14.0	9.0	17.4	7.2	8.1	2.9	4.4
Manufacturing	1950	27.8	34.1	26.4	n.a.	33.1	n.a.	30.9	n.a.	38.7	25.8
	1960	27.5	34.8	30.3	28.0	38.6	21.3	30.6	32.3	37.5	25.5
	1970	26.5	34.1	22.7	27.2	40.4	27.0	28.9	27.6	36.6	24.6
Other Industry	1950	12.0	12.8	9.1	n.a.	9.7	6.1	10.5	n.a.	13.7	8.3
	1960	12.6	11.9	2.8	9.8	10.1	7.2	11.7	19.3	11.3	6.9
	1970	12.4	10.7	8.7	11.7	9.9	8.7	12.1	10.8	9.9	7.7
Services	1950	45.6	42.0	41.6	n.a.	10.1	33.2	44.3	n.a.	42.0	52.4
	1960	48.8	44.6	53.5	39.8	37.3	41.3	46.2	34.8	47.0	59.3
	1970	53.2	50.4	60.9	47.1	40.7	46.9	51.8	53.5	50.6	63.3

NOTE *Australia*: Civilian employment 1950: interpolated between 1947 Census results; 1960: refers to 1961 Census.
Belgium: 1950 refers to 1953.
Japan: 1950 refers to 1953 *net* domestic product. Other industry includes transport and communications.
West Germany: Civilian employment in manufacturing estimated for years 1950 and 1960.
Sweden: 1960 Secretariat estimate.
US: Civilian employment in manufacturing refers to persons on payroll of private establishments.

Sources: OECD, *National Accounts*; OECD, Labour Force Statistics; Australian National Accounts; Secretariat estimates.

prise, capital and technology and ample natural resources yielded high living standards. Around 1860, Australia's per capita income may have been the highest in the world.

For most of the remainder of the century, an average annual rate of growth of real income per head of 1.2 per cent was maintained. But during the half-century from 1890 to the outbreak of World War II growth slowed to an estimated annual rate of 0.4 per cent to 1914, and little if any growth of income per head thereafter. Among the reasons were prolonged labour unrest, droughts and a drying-up of capital inflow in the first half of the period, and the First World War and the Great Depression, with their disruptive effects on international trade and factor flows, in the second half. Another factor may have been the policy of across-the-board industrialisation which while effective in its major objectives of reducing the country's dependence on agriculture and providing employment for immigrant labour, fostered and maintained relatively high-cost industries behind tariff walls. The Second World War gave a major new stimulus to the development of the manufacturing sector and did something to rationalise it as many "non-essenital" industries were squeezed out.

rapid growth

During the postwar period, economic development in Australia, as indeed almost throughout the world, has been more rapid than in any previous period of comparable length. Although the average rate of growth of income per head has been slower than in most other OECD countries Australia has retained its place among the richest, with an estimated per capita income (1970) about equal to that of West Germany. During the 1950s economic development concentrated on the manufacturing sector, especially and increasingly on heavier industries such as consumer durables and other engineering, steel and chemicals. In the 1960s enormous mineral discoveries gave a new shift to development. These domestic trends, and others in the world economy, have in the past twentyfive years brought marked changes in the structure of the Australian economy.

Between 1950 and 1960, the contribution of manufacturing to GDP rose from 24 to 29 per cent and has since remained around this figure, which is higher than in either the United States or Canada, though much below that in the main western European industrial countries. In the same two decades the contribution of agriculture to GDP declined by over two-thirds from 27 per cent to 8 per cent, while that of transport and other services rose to 50 per cent. In terms of occupational structure, the share of manufacturing in the employed civilian labour force has remained stable at a higher figure (27 per cent) than in the United States or Canada, while the share of service industries (including transport) has risen at the expense of the share of agriculture. In contrast to most OECD countries, there has been little net movement out of agriculture where incomes have, for the most part, remained above average. International comparison of the shares of the manufacturing sector in GDP and employment suggests that reative labour productivity in manufacturing in Australia remains lower than, for example, in the United States or Canada, but that the gap has narrowed.

III

Structure of Foreign Trade

These changes in the domestic structure of the economy have been accompanied by similar changes in the commodity structure of Australia's foreign trade. Although not a particularly open economy —the ratio of foreign trade to GDP has in recent years averaged only 12.1 per cent —Australia is among the dozen or so major trading countries of the world in terms of total value of trade per capita. Australia's exports, unlike those of most other countries with as large a manufacturing sector, still consist predominantly of products of primary industries including mining. Australia remains the world's largest exporter of wool (accounting for more than one-half of world exports) and an important exporter of wheat, beef and sugar. But the share of rural products in total exports has declined—partly under the impact of adverse world market trends — replacement of wool by synthetics and agricultural protection in industrial countries— from an average of above 80 per cent twenty years ago to around 50 per cent in recent years. The share of manufactures has risen to about 20 per cent while that of mineral ores and metals has also been rising rapidly, from about 5 to almost 25 per cent over the same period, in response to the mineral developments of the past decade. Australia's terms of trade (1955-56=100), after reaching a peak of 179 in the Korean war boom year 1950-51, had by 1963-64 fallen back to a level (100) little above that of the late 1930s (av. 1936-1938 = 96). By 1971-72 they have fallen by a further 23 per cent (to 77). Since Australia is able to meet most of her requirements for foodstuffs and raw materials from domestic production— following the oil discoveries of the past decade this applies increasingly also to crude oil — her imports continue to consist predominantly of manufactures. Among these, producer goods (equip-

TABLE II

Foreign Trade—Selected OECD Countries

	Total ($US billiion)	Per Capita ($US)	Ratio to GDP %
USA	38.6	190	4.1
W. Germany	27.4	450	17.3
UK	17.3	310	15.5
France	15.8	310	11.4
Japan	14.2	140	8.3
Canada	14.0	670	20.3
Italy	11.4	210	13.6
Netherlands	10.4	810	36.8
Belgium	7.7	790	32.9
Switzerland	6.3	1010	33.4
Sweden	5.9	740	21.1
Australia[1]	4.1	330	12.1
Denmark	3.3	680	23.6
Austria	2.7	370	21.0
Norway	2.7	690	26.2
Finland	2.1	440	22.2
Ireland	1.2	410	33.6
Iceland	0.1	590	27.4

1. Based on fiscal years beginning July 1.

NOTE: Data are based on merchandise exports and imports averaged over the three years 1968, 1969 and 1970. Exports are valued fob and imports cif except for Ausralia where imports are fob. The figures for Australia are threfore understated.

Sources: OECD, *National Accounts*; CBCS, *Overseas Trade*.

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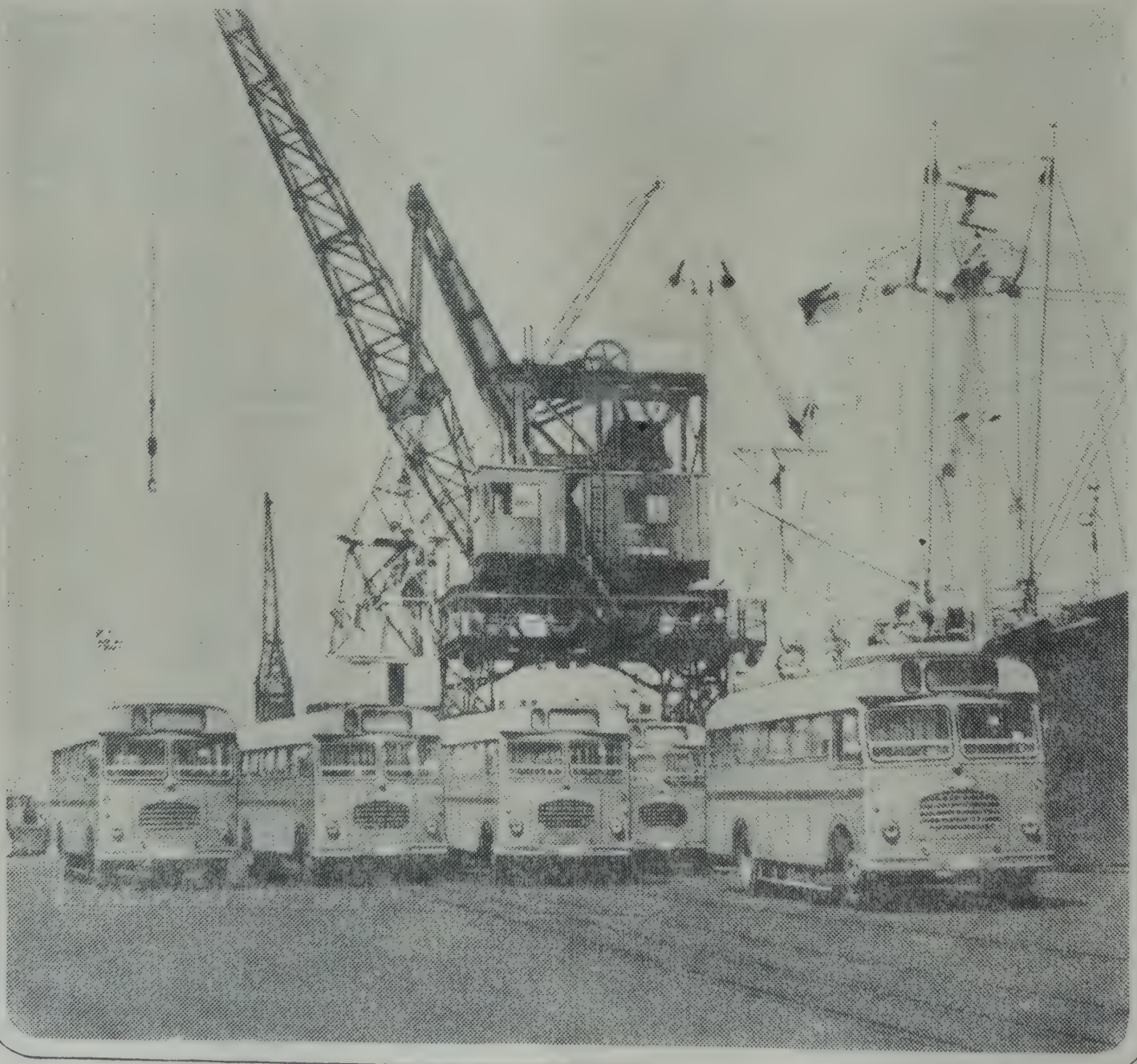
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ments and processed materials) account for two-thirds.

An even more striking change occurred in the country pattern of Australia's trade, part of a wider reorientation of Australia's external relations towards Asia and the Pacific. Until World War II, Australia as a member of the British Commonwealth and Sterling Area, relied on the United Kingdom for nearly one-half of her exports and imports under Commonwealth preferential arrangements. In the past twenty years, Britain's role as Australia's chief export market has been taken by Japan which now accounts for more than a quarter, while the United Kingdom's share has fallen to 9 per cent, and the United States has replaced the United Kingdom as the largest supplier of Australian imports. These changes are largely explained by world economic trends, especially rapid growth of the Japanese economy, whose needs for industral raw materials and foodstuffs Australia has been in a favourable position to meet. But they have been reinforced by other factors—the weakening of British Commonwealth ties and the replacement of the United Kingdom by the United States as Australia's chief ally—and have been actively promoted by Australian commercial policy. Symptomatic of Australia's growing engagement in the Asian-Pacific area is her development assistance programme. Two-thirds of this has in recent years been directed towards Papua New Guinea, which Australia is preparing for independence, and most of the rest to Indonesia and other countries in the south-east Asian and Pacific region.

net importer

Australia has through almost all her history been a net importer of capital and has therefore normally run a deficit in the balance of payments on current account. The balance of trade, with merchandise exports and imports valued fob, typically yields a surplus while a sizeable deficit is incurred on account of services and income payable abroad. Whereas during the 1950s and early 1960s most of the capital inflow took the form of direct investment by overseas companies, the mining boom of the late 1960s attracted must portfolio capital and institutional loans, and even larger flows of such capital have come in during the last two years, partly attracted by interest differentials and probably speculation on an appreciation of the Australian dollar. Since at least 1965, capital inflow, together with an improvement in the current account balance, has relieved Australia of concern about balance-of-payment deficits which were a recurring worry in earlier periods. In the last eighteen months, indeed, the rate of inflow has assumed such dimensions as to cause Australian policy-makers problems not unlike those that have been troubling, among others, West Germany and Japan.

V

Wage Determination

For almost a century, wages and working conditions in Australia have been influenced by the findings of independent "judicial" bodies appointed by governments to arbitrate in disputes arising between employers and employees. The system arose in the decade preceding Federation (1901) from a desire to make industrial relations a "province of law and order", following a period of major industrial strife. Although the system has been criticised it has managed to function despite its seemingly cumbrous procedures and legal intricacies. What the effects of the system have been, how much it has contributed to industrial peace and how far the tribunals have caused the level and structure of wages to be different from what they would have been if left to market forces under conditions of collective bargaining, are questions much studied and debated without any clear consensus.

The Commonwealth Constitution does not empower the Commonwealth Parliament to legislate directly on terms and conditions of employment of general applications. To the extent that there is Commonwealth regulation of these matters it derives mainly from the provision in the Constitution which empowers the Commonwealth Parliament to make laws with respect to "conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state". In the practical exercise of this power Parliament has been confined to establishing tribunals to prevent and settle such industrial disputes. Because of the limitations of the power, these tribunals have no judisdiction unless a dispute has arisen, or is likely to arise, and extends, or is likely to extend, beyond one state and the dispute is an "industrial dispute" as that term has been judicially interpreted. The only means that can be used by the tribunals to prevent or settle the disputes are conciliation or arbitration. Any award prescribing terms and conditions of employment can deal only with matters within the ambit of the dispute and, with limited exceptions, is binding only on the parties to the dispute.

The principal tribunal established under this power is the Commonwealth Conciliation and Arbitration Commission which consists of presidential members, arbitration commissioners and conciliation commissioners. (In 1956, the strictly judicial functions of the then Commonwealth Court of Conciliation and Arbitration were separated from its conciliation and arbitration functions; the former were vested in a Commonwealth Industrial Court, the latter in the Commission). The presidential members consist of a president, who must have legal qualifications, and deputy presidents with legal qualifications or experience in commerce, industrial relations or similar fields, commissioners are mainly drawn from industrial advocates of employer and employee organisations and others with practical experience in industrial relations. Presidential members and arbitration commissioners exercise arbitral functions and conciliation commissioners conciliation functions. Panels consisting of a presidential member, an arbitration commissioner and a conciliation commissioner are allocated responsibility for an industry or group of industries. Special tribunals have been set up to determine conditions of employment for some categories of employees, e.g. employees in the coal industry and in the Commonwealth Public Service.

conditions of employment

The states could, if they so wished, legislate on conditions of employment but they have in general established independent industrial tribunals with power to make awards. In 1947, the government of New South Wales took the initiative in introducing a 40-hour week by legislation, and there have been similar less spectacular cases since. In two states these tribunals are analogous to the Commonwealth Commission; two states have "wages boards" and the other two a system incorporating features of both schemes. A state tribunal determines conditions of employment for employees in the state who are not covered by a Commonwealth award. Where a Commonwealth award is made which applies to employees covered by a state award, the effect of the Commonwealth award is to exclude those employees from the operation of the state award.

A survey in 1968 revealed the following:

	Percent of all employees
Commonwealth awards	40.1
State awards	47.3
Unregistered agreements	1.4
Other (not affected by awards, registered or unregistered agreements)	11.3
	100.0

Notwithstanding the number of tribunals involved, there is a high degree of

integration in the determination of wages, because the state tribunals are strongly influenced by the decisions of the Commonwealth Commission. This applies particularly to the decisions of the Commission in cases dealing with matters of particular significance to the economy the results of which tend to spread rapidly to employees covered by state awards.

Side by side with conciliation and arbitration, direct negotiation plays a considerable role. Apart from that section of the work force cited above as not being covered by an award, trade unions covered by awards may also engage in direct bargaining with employers on "over award" wage rates. In the main, awards set minimum wage rates for all categories of work covered by the award, while higher actual rates of pay in much of the private sector are determined through supplementary bargaining. Moreover, certain of the tribunals' awards ("constant awards") merely give formal recognition to agreements reached by direct employer-employee bargaining. Unfortunately, no recent reliable statistics are available to indicate the extent of direct negotiation outside the conciliation and arbitration system.

VI

Employers' and Employees' Organisations

Although the parties to industrial disputes heard before arbitration tribunals are trade unions and employers' associations, the arbitration system does not, in the long run, appear to have done more to foster the growth of either type of organisation than collective bargaining might have done. About 50 per cent of all wage and salary earners were members of trade unions in 1970 (57 per cent of men and 36 per cent of women). This represents a relatively high degree of unionisation but not as high as, for instance, in the Scandinavian countries where the figures range from 60 to 70 per cent. Originally organisd on a craft basis on the British pattern, unions are now also organised along company, occupation, industry and general lines. Efforts by the national trade unions leadership to organise the union movement along strictly industrial lines have had some success, but Australian unions are small by international standards. A total membership of about 2.3 million is shared by over 300 unions, two-thirds of which have a membership of under 2,000. A major development towards larger unions has been the amalgamation during 1972 of three of the biggest metal workers' unions.

At the state level the unions are grouped under Trades Hall Councils, which assist in the preparation and presentation of cases before industrial tribunals and in direct negotiation involving more than one union. At the national level all the major manual unions, as well as certain white-collar unions, are affiliated to the Australian Council of Trade Unions (ACTU) which, in 1969, had 119 member unions with 1.5 million members. Two of the three main white-collar unions, the Australian Council of Salaried and Professional Associations and the High Council of Commonwealth Public Organisations, have in recent years established close association with the ACTU. The council's biennial congress is the supreme policy-making body. In between congresses, the ACTU is governed by an executive chaired by the president, who may be a powerful political figure in the country. The ACTU prepares and presents major cases concerning conditions of employment before the Commonwealth Commission and in direct negotiation.

The formation of employer organisations has followed that of trade unions, along two broad lines: trade or industry associations, and federations across industry boundaries which group the former but may also include individual employers. Four national employers' organisations dominate the National Employers' Association, formed in 1961, whose National Employers' Policy Committee is the employers' equivalent of the employees' ACTU.

VII

Principles and Procedures

Formally, the function of the Commonwealth Conciliation and Arbitration Commission, unlike state tribunals, is to settle industrial disputes, not to determine wages and other conditions of employment. A union seeking an award for its members in an industry invokes the jurisdiction of the Commission by the creation of a paper "dispute", i.e. the union serves a "log of claims" on a multi-state employer, an employer organisation or on different employers in more than one state and, on the employer side, rejection of the claim or failure to reply to it.

Except in connection with employment in a territory of the Commonwealth, the Commonwealth Commission cannot make a "common rule" i.e. an award of general application throughout an industry binding on parties other than those directly involved in the particular "industrial dispute" (a power which state tribunals possess). Consequently, a union will seek to cover as many employers as possible. For example, it is estimated that "logs of claims" are sent to about 13,000 employers by the metal trades unions. In 1970 the employers for the first time took the initiative in filing a claim in a national wage case.

The rejection or failure to reply does not necessarily mean that the employers are unwilling to negotiate on the claim. The "log of claims" is a device accepted by both employers and unions to provide the jurisdictional basis to obtaining an award of the Commission prescribing terms and conditions of employment for the industry, which it is in the mutual interest of employers and unions to have. Upon notification of the industrial dispute, the presidential member responsible for the industry must, unless he is satisfied that it would not assist the prevention or settlement of the dispute so to do, refer the dispute to the Conciliation Commissioner for the industry. If, during the conciliation proceedings, the dispute has not been wholly settled, the presidential member assigns the Arbitration Commissioner for the industry to deal with the dispute, or the matters remaining in dispute, by arbitration or he arbitrates himself. The Commission is not bound to act in a formal manner and is not bound by any rules of evidence but may inform itself on any matter as it thinks just.

In practice the Commission conducts



its arbitral proceedings as does a court of law, hearing evidence and submissions from all parties (who are represented by industrial advocates) as well as from the Commonwealth, which may intervene by right in cases of importance to the public interest and by leave of the Commission in other cases. Where a matter is important to the public interest it may be referred to a Full Bench of the Commission and there is provision for appeals to a Full Bench from a decision of a single member of the Commission on such a matter. Cases dealing with matters of particular significance to the economy, e.g., cases concerning alteration to standard hours, nation-wide wage claims, the minimum wage, the relationship between male and female rates, annual leave and long service leave, must be dealt with by a Full Bench of the Commission, which includes at least three presidential members. An award operates for the period, not exceeding five years, specified in this award but at the end of the specified period it continues in force until superseded by a new award.

bans clause

Strikes by employees to whom a Commonwealth award applies are not illegal. If, however, a union launches a strike the Commission may insert a "bans clause" in the award applying to the union. This clause prohibits the union engaging in bans, limitations or restrictions on the performance of work in accordance with the award. A union which breaches a "bans clause" is liable to a penalty. The insertion of "bans clauses" in awards has been strongly contested by the trade unions. The Commission also has power to order a secret ballot to be held prior to a strike but this has been seldom used.

The legislation establishing arbitration tribunals has never laid down clearly-defined principles to guide them in their awards. The extent to which the legislation can lay down principles for the regulation of the Commission's powers in making awards in the settlement of industrial disputes is subject to constitutional limitations. Early in its existence, the then Commonwealth Court of Conciliation and Arbitration formulated the concept of a "basic wage" founded on the principle of need. From the early 1920s until 1967, the wages and salaries of all workers under Commonwealth awards consisted of this "basic wage" component and "margins for skills". The basic wage was changed from time to time on the basis of enquiries conducted by the Court (later Commission) and, until 1953, was also subject to automatic quarterly adjustment to changes in an index of consumer prices (the C Series index). Separate hearings were conducted less frequently on variations in "margins". In 1967, the Commission abolished this distinction. It now makes a "total wage" award in (at present annual) national wage cases in which it also lays down a "minimum wage". In addition, it undertakes "work value studies", which review award wage differentials.

In determining the basic wage, the Court during the inter-war years gradually moved away from the "needs" criterion towards consideration of what the economy could afford to pay. But this concept of "capacity to pay", which still figures in the Commission's judgements, has never been precisely defined, though the Commission has pointed to economic indicators which it may regard as relevant. The Commission has explicitly refused to subscribe to an interpretation of capacity to pay in terms of the increase in money wages compatible with price stability (productivity gearing) and has indeed consistently treated past increases in the cost of living as a consideration relevant to its decisions. The 1972 Conciliation and Arbitration Act explicitly requires the Commission, in considering the public interest, to "have regard, in particular, to the state of the national economy and the likely effects on that economy of any award that might be made in the proceedings".

VIII

Australia's Balance Sheet

Since the primary task of the system of conciliation and arbitration is to promote industrial peace, one test of its performance is the incidence of strikes.

At first sight, the system scores badly by this criterion.

In terms of time lost through industrial disputes, Australia has a worse record than most European countries, though better than the USA. During 1961-1969, for instance, time lost in Australia equalled half a day per man-year, compared with a quarter day in the UK. But this comparison is misleading. First, some of the excess is due to a difference in reporting. (See W.E.J. McCarthy, *The Nature of Britain's Strike Problem*, British Journal of Industrial Relations, July 1970). Secondly, a relatively large proportion of strikes in Australia are short, local stoppages arising from disputes at the place of work. Australia has been relatively free from costly and prolonged trials of strength. Between 1950 and 1968, only 17 per cent of disputes and 47 per cent of time lost were attributable to disputes over "wages, hours and leave" and even these included local disputes, such as over a particular piece-rate. There have been few strikes against arbitration awards, which have generally been accepted with more or less good grace by both sides.

Many observers, however, regard the frequency of short, spontaneous stoppages arising from disputes over "working conditions and managerial policy" as a serious weakness of the arbitration system. They argue that, by tending to convert all issues in industrial relations into legal disputes between contending parties,

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Statements about the food position, latterly, have tended to be increasingly cheerful. Recently, the favourable import availabilities and better internal procurement led the Food Minister to make the categorical announcement that there would be no famine in the country. A favourable development of recent weeks is the building up of a sizeable reserve, information on which was not available when we wrote on the subject last.

With the building up of a reserve the Food Administration's effective handling of an emergency will be more feasible and, therefore, it may be readily conceded that in so far as the shortages of supplies are concerned the worst is over. But this conclusion is subject to the very important qualification that this balance in our food budget does not provide us a clue as to whether or not there is a big gap as between food requirements or needs and food supplies. This, however, is no new phenomenon. Even before the war some 30 per cent of our population was victim to malnutrition and under feeding. This situation, if anything, has worsened during the war and it is, therefore, very important to emphasize the point that our so called balance in the food budget is only an illusion This indeed needs to be dinned into Authority's ears; for there seems to be a fair amount of complacency in certain quarters, and the belief seems to have gained ground that if large scale deaths from starvation are avoided there is nothing more to worry about it.

the system has led both sides to concentrate on skilful advocacy, rather than on efforts to improve relations between management and workers in the factories.

What about the value of the conciliation and arbitration system as an instrument of a national incomes policy in the widest sense, including both stability of wages and prices and the distribution of incomes?

As regards the contribution that the system may have made to containing inflation, note that, for much of the postwar period, Australia has enjoyed a greater degree of price stability than most European OECD countries and more sustained full employment than the USA and Canada, where prices have generally risen more slowly. How much, if any of the credit goes to the conciliation and arbitration system is hard to say. The abolition in 1953 of the previous system of automatic quarterly cost-of-living adjustment of the basic wage, which had aggravated the problem, certainly helped. On the other hand, the system has not been able to prevent the rapid acceleration of wage and price inflation in the past two years.

limited influence

While conscious of the desirability of reasonable price stability, the Commission has felt it necessary to give greater weight to other objectives. In any case, the Commission's influence on the level and rate of growth of money wages through its awards of minimum wages is limited by "wage drift" through over-award payments and other factors subject to market forces, which in the end no system can eliminate.

Since the war, the ratio of average earnings to average rates has been rising at about 1.2 per cent a year. But average earnings are raised by other factors besides over-award rates—e.g., by the movement of labour into higher-paid occupations — and over-award payments themselves have been judged to account for less than half the whole divergence (See E.H. Phelps Brown, quoting W.K. Hencock, in *Industrial Relations and the Law: Lessons of Australian Experience*, Three Banks Review, March, 1971).

One can assert with more confidence that the conciliation and arbitration system has exerted a significant influence on the structure of wages in Australia, in two respects. First, it has set a floor to wages. In its earliest days, it succeeded in substantially eliminating sweated labour and it has continued to be effective in ensuring a national minimum wage. Secondly, it has, through its concern for "relativities", maintained a remarkably uniform structure of wage differentials among occupations and skills across industries and throughout the country. While the feature of arbitration may have imparted rigidity to wage differentials detrimental to the mobility of labour, it has been a response to deep-rooted conceptions of equity and thus an important factor in continued acceptance of arbitration by the majority of workers.

severe strain

The past two years have been a period of severe strain for the conciliation and arbitration system. The trade unions have forced the pace of wage demands, partly at least in response to accelerating price inflation, and industrial relations have seriously worsened. Rather than lose control of the situation, as the trade unions have turned increasingly to collective bargaining, the Arbitration Commission has tended to match the upward trend of negotiated wage increases by higher awards. While average weekly earnings (including over-award payments) rose substantially faster than minimum weekly award rates during 1969-70 (8.4 per cent as compared with 5.3 per cent) and in 1970-71 (11.1 percent as compared with 8.4 per cent), the position was reversed in the first half of 1971-72 (11.5 per cent as compared with 12.4 per cent). In the 1972 National Wage Case, however, the Commission awarded a much more moderate increase in the total wage. Working days lost through industrial disputes increased sharply in 1971 (totalling about 3 million). However, the number of working days lost in the first half of 1972, was 35 per cent lower than for the corresponding period in 1971. Note that the official statistics of man-days lost through industrial disputes include only losses in establishments where strikes occur. An industrial dispute in the Victorian electricity industry in 1972 directly involved only 11,000 workers in the State Electricity Commission, but some 200,000 workers in Victoria alone were stood down for various periods of time in consequence. The Liberal-Country Party government in 1972 passed through Parliament an Act to strengthen and reform the arbitration system in various respects.

Sources and acknowledgements: This article summarises parts of the OECD's first report on Australia since Australia became the twenty-third OECD member in 1971, but the OECD (2 rue Andre Pascal, 75775 Paris (Cedex 16. France) is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

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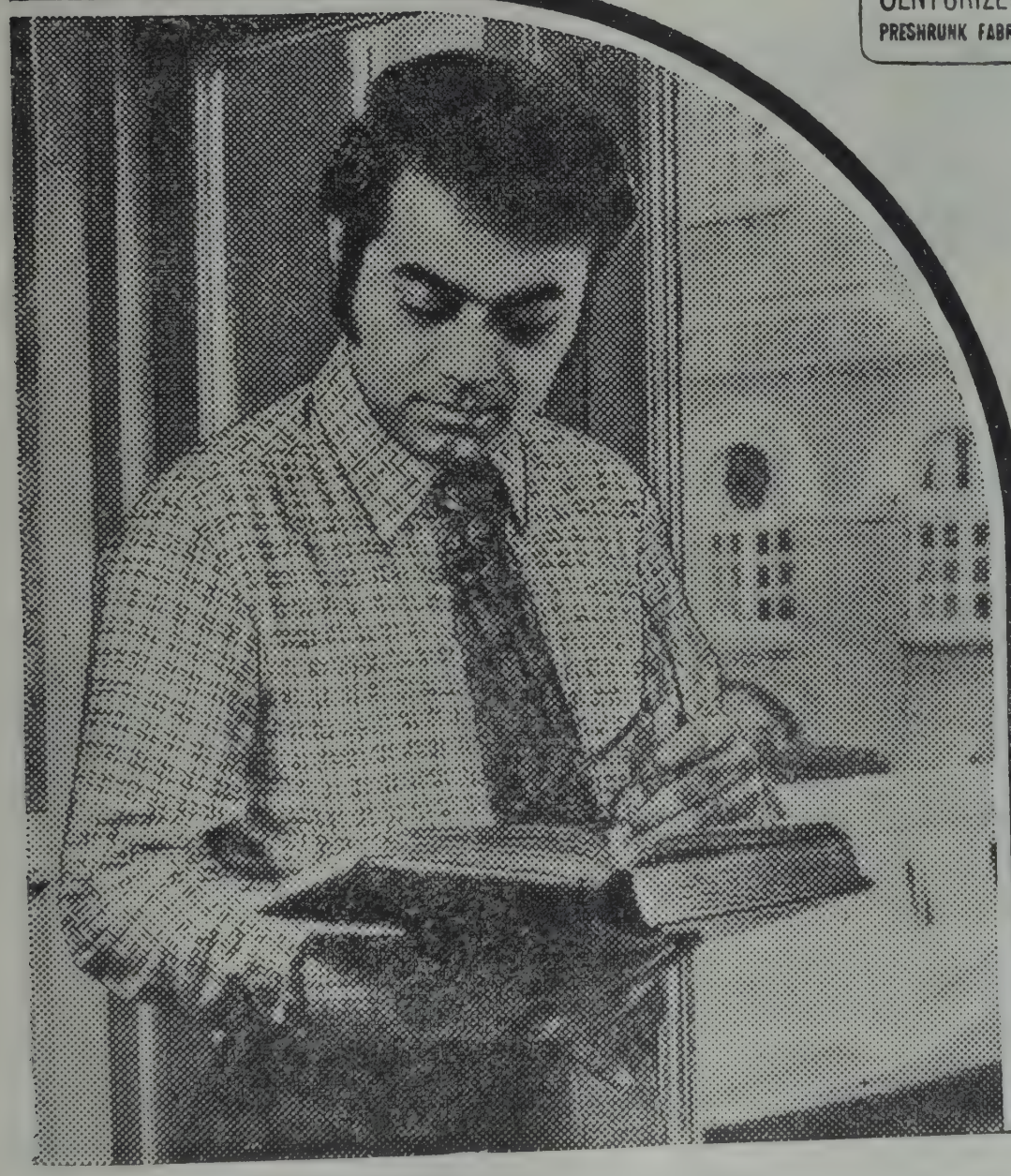
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A Report on the Pharmaceutical Industry

Medicines for the Millions

V. Balasubramanian

WHETHER THE scientific spirit is as old as the human race or not, it is probably at least as ancient as the domestication of fire by man. Modern science, as we know it, however, appears to be of much more recent origin. After all, it was only in February this year that the world celebrated the quincentenary of the birth of Nicolaus Copernicus, which means that it was less than 500 years ago that man learnt the basic physical truth about the universe in which he lived, namely, that the earth was a planet orbiting around the sun like the other planets.

If, then, what we may call the modern scientific age is so recent a development in the pursuit by the human race of knowledge or the power over environment that comes with knowledge, modern medicine must be reckoned among the very young progeny of this era of inquiry and analysis. The world, it may be noted in passing, will have to wait for another 348 years for observing the quincentenary of the birth of Louis Pasteur.

Salute the Pioneers

Perhaps no country in the world is or could be in a better position than ours to appreciate how modern really modern medicine is. Although we, as a people, do cherish hoary traditions of medical lore, it was only at the turn of this century that Acharya P. C. Ray, the great savant and scientist, launched his pioneering enterprise to manufacture medicines from indigenous herbs on modern scientific lines and on a commercial scale. Although his achievement in this field as well as that of other early pioneers such as T. K. Gajjar and Rajamitra B. D. Amin was of seminal significance in the development of a modern pharmaceutical industry in our country, it was still only fifty years later and, more specifically, over the last two decades that the Indian pharmaceutical industry could meaningfully join the mainstream of global progress in the manufacture of drugs and medicines.

In 1947, the year in which our country became independent, the total value of the output of the pharmaceutical industry was only Rs. 10 crores and the capital investment was correspondingly small. Thanks to the impetus given by the second world war, the manufacture of a number of alkaloids, quite a few chemotherapeutic drugs and some glandular products had been started. The country had also become practically self-sufficient in the production of sera and vaccines.

Difficult Beginning

There were however a good many problems. Early in the post-war period, the domestic industry had to face severe competition from better established and well-known pharmaceutical producers abroad. Again, domestic manufacturing activities in the fields of even chemicals and synthetic drugs were, at this stage, confined mainly to mere processing of compounded preparations. An equally serious weakness was the country's substantial dependence on foreign imports for basic drugs. Above all, as rapid advances took place in the fields of pharmacology and medicine, a number of chemotherapeutic products and antibiotics completely replaced a large number of other drugs which were hitherto being commonly used. This meant that the Indian pharmaceutical industry was becoming obsolete both in its technology and products, compelling the country to depend on imports for its requirements of new drugs.

It was therefore very clear in the early fifties that a large effort would have to be made to ensure that the domestic pharmaceutical industry grew fast enough on the basis of up-to-date research and technology. Fortunately, the government of India's policy of economic planning, initiated by the first five-year Plan in 1951, provided a dynamic framework for the expansion and diversification of the manufacture of pharmaceuticals in this country. This was not only because the growth of this industry was emphasised in this and subsequent Plans as an important part of the larger industrial development, but also and, indeed, more particularly because of the steadily increasing state interest and state activity in the field of public health.

It was recognised very definitely in the first five-year Plan that a substantial part of the resources and energies of the community would have to be directed towards specific public health mores if this country were to realise its aspirations of economic development or social welfare. As a corollary to this, the Plan provided governmental finance at central and state levels for such public health programmes as the prevention of epidemics, control of the communicable diseases widely prevalent in the community and the extension of hospital facilities, particularly with a view to bringing down the number of deaths in the course or arising out of child bearing as well as the incidence of infant mortality.

The second five-year Plan, built on the performance of the first in these areas, took special interest in the establishment of institutional facilities to serve as a base from which medical services could be extended to people over a large area through the development of technical manpower for staffing the health programmes, the cultivation

of environmental hygiene and the propagation of the family planning movement. A distinctive feature of the third five-year Plan in the health field was the programmes incorporated in it for a substantial expansion of the health services, with increased emphasis on preventive public health services. This Plan also accorded high priority to family planning.

To the Villages

When the time came for the fourth five-year Plan, it was felt that its primary responsibility should be to provide an effective foundation for health services in rural areas by strengthening the primary health services which had been started during the previous five-year period. These centres were to render preventive and curative health services, take over the maintenance phase of communicable diseases, control programmes for malaria and smallpox and also became the focal points for a nationwide family planning programme. In view of the emerging shortage of medical, nursing and paramedical personnel, it was further decided that the fourth Plan should make an intensive effort to provide for the minimum technical manpower requirements in the public health sector.

A familiar note struck whenever planning in this country is discussed is that development effort has generally been short on results. Even when it is conceded that substantial progress has been achieved in this direction or that, a feeling has invariably been expressed that much more could or should have been done but has not been done. There is perhaps less ground for this kind of dissatisfaction with Plan performance in the field of public health than in most other fields. In any case, the gains, as reflected in vital health statistics, have been very considerable and, in some cases, even spectacular.

Expectancy of life at birth, which was only 32.1 years in the decennium 1941-50, had gone up to 52.6 years by the period 1966-70. The death rate per 1,000 had come down from about 27 per 1,000 to 14 per 1,000 in the thirty years since 1941. While infant mortality has been cut by almost one half, the death rate due to respiratory diseases was reduced by about the same extent from as high as 160 per 100,000 in 1940 to 83 per 100,000 in 1960. Deaths due to dysentery and diarrhoea, which were as many as 90 per 1,000 in 1940, stood much lower at 46 per 1,000 in 1960. Meanwhile, plague has been virtually eradicated, the incidence of cholera deaths rendered negligible, the prevalence of malaria in an endemic form more or less ended and the death rate from smallpox forced down to two per 100,000 by 1965.

The positive and constructive role which the government has been playing in the public health field in the various five-year Plans has provided the socio-economic framework for the growth of the pharmaceutical industry in this country since independence. Without the pledging of governmental resources and initiative to the raising of the health standards of the people across the land, the pharmaceutical industry would not have had so much ready scope for its expansion. Apart from the fact that the government health programmes provided a large market directly for drugs and pharmaceuticals, the importance given in the Plans to health care as the nation's business has made individual men and women more health-conscious and better aware of what modern medicine could do to help them take preventive steps against diseases or combat illnesses when they do come and thereby lead healthier and consequently more productive or happier lives.

Active Ally

The pharmaceutical industry in its turn has been an active ally of the governments, central or state, in implementing public health programmes by expanding the production of drugs and pharmaceuticals often well ahead of the effective demand, while extending steadily the range of its products. Through exploiting or drawing on the fruits of international pharmaceutical research and development, the firms in this industry have ensured that no major health programme breaks down for want of supplies of any basic drug or its formulations. Thanks to the fact that the Indian pharmaceutical industry has grown as part of a world movement in the progress of modern medicine, the access which the people of this country have had to research and development work in the laboratories of world leaders in this industry has generally been adequate.

Apart from the scope created for it by the health programmes of the five-year Plans, the pharmaceutical industry has also been greatly assisted in its growth in the last 20 years by specific government policies designed to encourage the manufacture of drugs and pharmaceuticals within the country. In the early fifties the central government indeed moved purposefully to assume a certain measure of responsibility for the fast but orderly development of the industry in the light of the need to encourage the manufacture of more and more of the basic drugs or their formulations through the utilisation of domestic resources of raw materials, technical know-how or skills.

The government set up a panel for the pharmaceutical industry to make a study of its problems and requirements and followed it up by constituting in 1953 the Pharmaceutical Enquiry Committee to carry out a detailed investigation of all aspects of the functioning of the industry and its development. The report of this committee, which was submitted in 1954, as well as the recommendations regarding the industry made by the Planning Commission at the start of the first five-year Plan provided a fairly firm and clear basis for the development or regulation of the industry in accordance with national priorities.

It was decided, for instance, that efforts should be made by all the existing manufacturers and newcomers to manufacture as many pharmaceutical chemicals and drugs as possible, using basic chemicals and/or of simple intermediates, which might either be imported or produced locally according to circumstaces. Whenever penultimate pro-

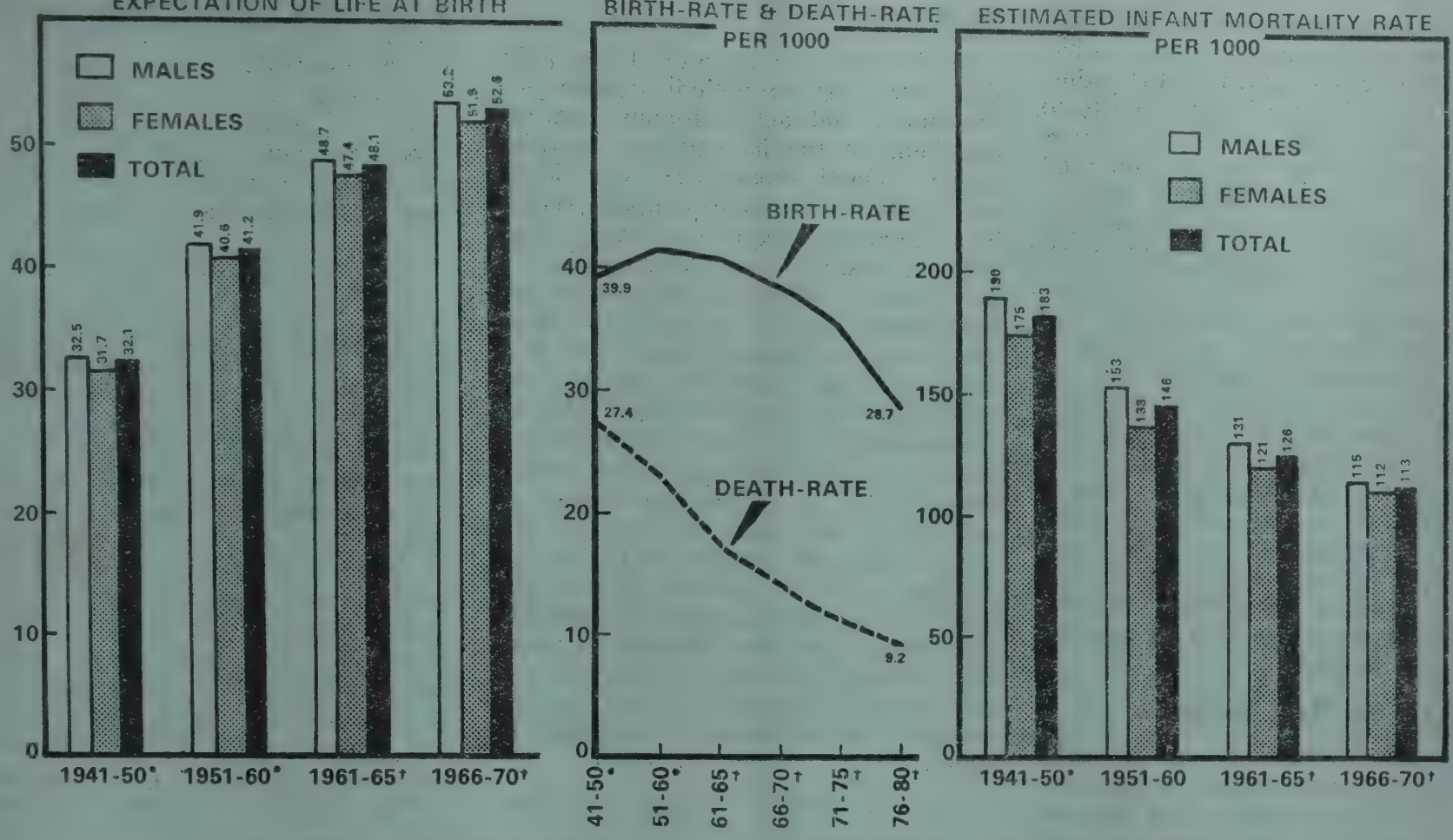
India in ECAFE

Summary health indexes
(1969 or latest available prior year)

	Average life expectancy at birth	1,000 population per physician	Population per hospital bed
Afghanistan	38	20.4	6,756
Brunei	—	2.9	240
Burma	48	9.6	1,191
Hong Kong	70	2.1	250
INDIA	50	4.6	1671
Indonesia	48	27.6	1,484
Iran	50	9.3	778
Japan	—	0.9	80
Khmer Republic	44	13.8	903
Korea, Republic of	58	2.4	1,914
Laos	48	52.6	1,503
Malaysia	63	—	—
West Malaysia	65	4.2	260
Nepal	41	49.0	6,752
Pakistan	51	5.4	2,570
Philippines	55	9.8	822
Singapore	68	1.5	260
Sri Lanka	62	3.7	332
Thailand	56	8.5	972
Viet-Nam, Republic of	50	10.6	510

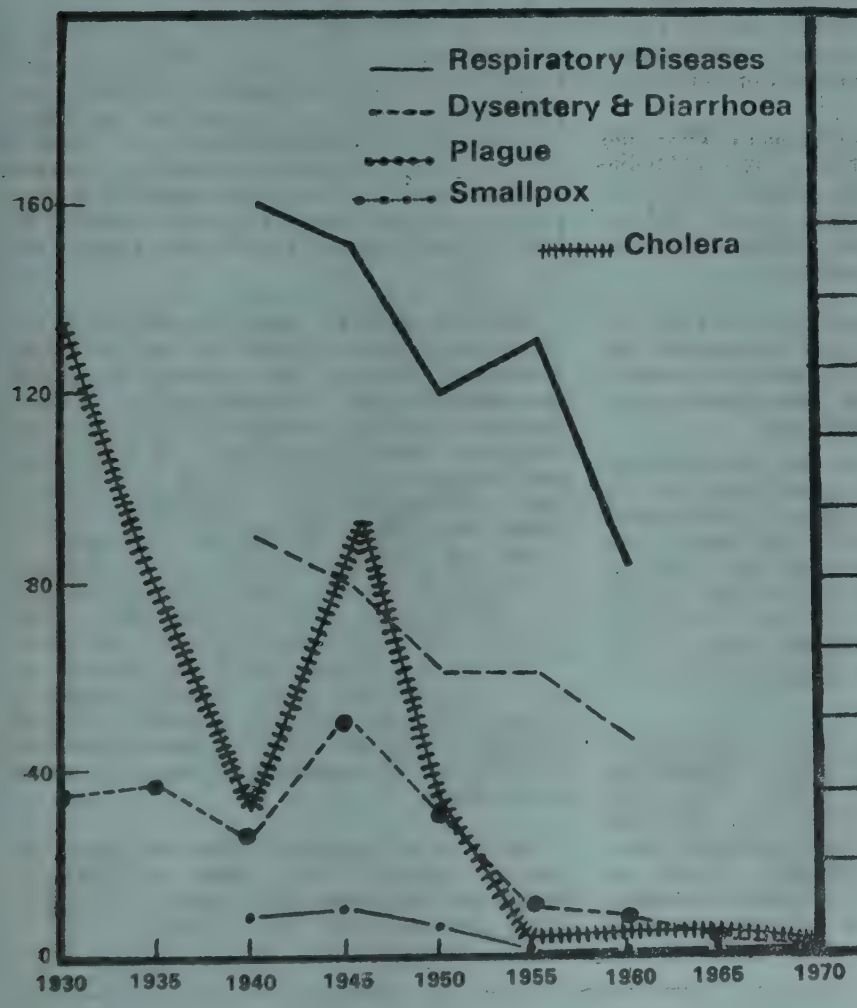
Source : Economic Survey of Asia and the Far East, 1972.

VITAL HEALTH STATISTICS



Census estimates † = Estimates based on projections made by the expert committee on population set up by the Planning Commission in 1964.

DEATH RATE PER 100,000 DUE TO SOME MAJOR DISEASES



	Cholera	Smallpox	Plague	Dysentery & Diarrhoea	Respiratory Diseases
1930	133	33	—	—	—
1935	78	36	—	—	—
1940	30	25	7	90	160
1945	93	50	10	80	150
1950	36	30	6	60	120
1955	3	10	0.0	60	130
1960	5	9	0.0	46	93
1965	3	2	0.0	+	+
1970	0.6	0.3	0.0	+	— +

+ Not Available

ducts and complex intermediates had to be used in the first instance to start the industry, efforts should be directed towards manufacturing such products within the country as soon as possible. It was also recommended to the industry that it should give higher priority to the manufacture of synthetic drugs than to the conversion of imported drugs into tablets or finished preparations for use, since capacity for the latter, even when it became inadequate, could be easily arranged.

The government, naturally, was anxious from the outset that the pharmaceutical industry should develop an essentially Indian character consistent with its obvious need for drawing promptly and sufficiently on advances in drug research and technology abroad. It was against this background that the role of pharmaceutical companies already operating in the country as well as the possibilities of further foreign collaboration in the growth of the industry were viewed.

Emphasis on Manufacture

While there was to be no discrimination between foreign and Indian undertakings in the application of the general industrial policy, it was rightly thought that the existing subsidiaries or branches of foreign firms or firms with foreign majority participation in capital should be discouraged from confining themselves merely to trading in drugs or formulations imported from their principals abroad and persuaded and encouraged to establish manufacturing facilities within the country for the manufacture of drugs or the processing of formulations. It was also felt that pharmaceutical enterprises in this country should induct Indian participation in equity where none already existed or reduce the foreign share in equity where that share was dominant.

As regards the entry of new foreign concerns into the pharmaceutical field, it was felt that the percentage of foreign equity should be 50 or less and that foreign collaboration should be allowed only when a firm planned to start with the manufacture of at least a few basic drugs from primary raw materials. The basic principle here was that the superior resources of the foreign firms should be made available to the country for the development particularly of manufacturing capacities for basic drugs from basic chemicals, intermediates or primary raw materials drawn largely from domestic sources. An attendant objective was that the participation or collaboration of the foreign partner should be so regulated that the objective of the industry developing an essentially Indian character should not be prejudiced.

It is important to note at this point that there was no prejudice against a substantial and active foreign presence remaining in the industry or growing with it. On the contrary, it was clearly stated that the Indian industry should be assured of adequate access to the fruits of research and development or the advances in pharmaceutical technology abroad partly through encouraging foreign collaboration with the promotion of basic manufacturing facilities within our country. More than this, the Pharmaceutical Enquiry Committee put forward as its definite view that, where foreign firms had contributed part of the capital, their general interest in the welfare and development of the Indian concern would be certainly greater and their stake in this country to some extent higher and that therefore 'tie-ups' with foreign firms including participation in capital should be preferred to 'tie-ups' with no foreign participation in capital.

The committee's approach—and this, by and large, was also the policy of the government — then, was in essence that, if foreign participation and collaboration were properly regulated for the sake of the self-reliant growth of the manufacture of drugs and pharmaceuticals as a basically national enterprise, the people of this country could expect to gain through the adequate availability of medicines up to international standards and at reasonable prices.

This view of what was good for the country in terms of foreign participation in the pharmaceutical industry has been vindicated by the course taken by that industry in the last 20 years. It is now generally recognised that, in the historical development of this industry in this country, foreign firms have played an important role with their superior technical resources and worldwide connections. Starting operations as trading companies, they subsequently took up the manufacture of formulations with basic drugs imported from their principals. Thanks partly to the pressure of deliberate government policy and partly to the logic of the industry's natural de-

Enter Prostaglandins

The world's newest miracle drugs, called prostaglandins, have been hailed as the biggest thing to come along since steroids or antibiotics.

Made in the membranes of human cells—and now synthesized in the laboratory—prostaglandins may be used to treat stroke, shock, glaucoma, arthritis, ulcers, hypertension, cancer and an astonishing variety of other ailments ranging from nasal congestion to asthma.

Among the more intriguing prospects for the drug is a possibility that it may well become the world's most acceptable abortifacient in terms of safety as well as the world's most popular contraceptive as a 'morning after' pill.

The Upiohn Company in the United States seems to have established a run-away lead in research into this drug as well as its development for commercial exploitation. But most of the world's leading pharmaceutical firms such as Pfizer, Ayerst, Lilly, Merck, Squibb, Searle, Syntex, Warner-Lambert, Wyeth, Overseas, Ciba-Geigy, Hoffmann-LaRoche, May & Baker, ICI, and Unilever are reported to be racing to catch up with Upjohn.

Upjohn controls patents on the structures of the two most significant natural prostaglandins. Anybody else wanting to market them will therefore have to do so under licence. But it is much harder to impose a patent umbrella covering all analogues and antagonists because so many can be made by slightly altering the natural structure. Upjohn itself has already produced more than 400 such chemicals. In addition to synthetic production. Upjohn extracts prostaglandins from a marine organism known as gorgonian or sea whip, which contains the highest concentration of prostaglandins so far found in nature. Eventually, prostaglandins are expected to be produced for 50 cents to one dollar a gram. Present costs are stated to be much higher, but Upjohn is not giving a clue to what exactly they are.

Just how loudly the prostaglandins will ring on Upjohn's cash register no one yet knows. According to one of its marketing executives, the company's sale of prostaglandins in Great Britain in the first year may not yield more than $400,000; "Our gains will come not from being first in these uses (i.e. as a birth control agent) but in subsequent ones." Meanwhile, it is estimated that, before the first prostaglandin drug of any sort comes on the US market, probably three years from now, Upjohn will have invested $30 million in R & D on the new drug. This company has been research-oriented for many years and now boasts one of the greatest research organizations in the industry, numbering 700 professionals. It is only in terms of R & D resources of this scale that a really significant breakthrough in modern drug research can be contemplated.

(Based on an article by Gene Beylinsky, an associate editor of *Fortune*, which was reproduction in the November, 1972 issue of *Span* published by the USIS, New Delhi.)

velopment, these firms have progressed towards the installation of more and more facilities for the manufacture of more and more basic drugs within the country.

Not unnaturally, then, these firms collectively—and some of them even individually—hold a prominent position in the industry. Out of some 100 units in the organised sector which account for about 80 per cent of the total turnover of the entire industry, including both the organised sector and the small-scale sector, 47 units have a measure of foreign ownership or control. Out of these 47 firms, 25 have majority foreign participation in equity of more than 50 per cent and they contribute over 40 per cent of the total output in the organised sector. It is interesting to note that there are also units in the small-scale sector which have a measure of foreign participation. Numbering 21 in all, 15 of them have foreign participation in equity of over 50 per cent. The output of the foreign firms in the small-scale sector is about 40 per cent of the total output in that sector which is of the order of Rs 20 crores.

While the foreign sector in the pharmaceutical industry has certainly played a dynamic role in the growth of that industry, it would not be right to say that they have dominated or have been dominating the industry. It is important to bear in mind that about 60 per cent of the total output in the organised sector comes from firms which are wholly Indian or firms which have foreign participation in equity to the extent of 50 per cent or less. It is a well-known fact that quite a few Indian firms have not only been able to hold their own but also to build themselves up to prominent positions in the industry.

Not Barred

There is no evidence whatsoever that, where there has been adequate entrepreneurship, modern technology and good commercial management, firms which are wholly Indian in character or are predominantly so have been prevented from playing their part in the growth of the pharmaceutical industry in our country by the large and active presence of firms which are wholly or predominantly foreign. On the contrary, if there is any complaint of unfair competition in this industry, the grievance has been that the organised sector as a whole is at a disadvantage against the small-scale sector which is able to operate with considerable freedom from the discipline of rigorous quality control.

Some discussion of the place of the small-scale sector in the pharmaceutical industry becomes relevant at this stage. Firms in this sector are engaged, by and large, in the making and marketing of formulations. They draw their supplies of basic drugs either from the organised sector of the industry within the country or are dependent on imports in this respect. Although the formulation operations may be technically more simple and may call for much less capital investment than the manufacture of basic drugs, the units engaged in this activity must also measure up to rigorous standards with regard to the quality of their products. Otherwise, the consumer or the community is deprived of the full benefit of the progress which is continuously taking place in modern medicine. No matter how effective or reliable the basic drugs used in the manufactures may be, the formulations too will have to be just right in a number of important particulars.

No Comparison

This means that the highest technical standards will have to be maintained at all stages of manufacturing or marketing the formulations. The question is whether there is reasonable certainty that this condition is being fulfilled in the small-scale sector of the pharmaceutical industry. It would be difficult to return a reassuring answer if only for the reason that the units in this sector vary widely in their financial and technical resources and differ even more sharply in their ethical practices. Where state governments have a strong drug control administration and adequate machinery for inspecting the manufacturing or marketing operations of pharmaceutical firms, it could generally be assumed that the units in the small-scale sector are functioning under some discipline. Unfortunately, most of the state governments do not have an adequately equipped or effectively functioning drug control administration. It is therefore no accident that some of the states as have a poor record in this respect happen to be much-sought-after havens for pharmaceutical units on the fringes of the small-scale sector.

It is true that the formulation operations are not capital-intensive, but then they are not labour-intensive either. In terms of employment, therefore, there is not much to be gained by the state offering special encouragement to the small-scale sector in the pharmaceutical industry. On the contrary, given the deficiencies in drug control administration in the country, the functioning of the small-scale sector in the pharmaceutical industry must necessarily pose to some extent a threat to public health or the physical wellbeing of individual patients.

For a fast buck

Again, although a small-scale sector has been functioning in the pharmaceutical industry for some time now, there is no evidence that it has contributed towards keeping the prices of formulations down by passing on the benefit of its lower overheads to the consumer. On the contrary, the outstanding feature of this industry is the preponderance of fly-by-night operators interested mainly in making a fast buck. To the extent that there are some solid or socially responsible enterprises in this industry, the future for them must surely be sought in their leaving behind their dubious small-scale industry status and developing into medium-scale operations in the organised sector.

In any case it is in the public interest that the manufacture of drugs and the processing of formulations should generally be undertaken as an integrated process to the maximum extent possible. This way there is greater scope for the industry maintaining quality in production while reducing manufacturing costs. Therefore, there does not seem to be much point in a policy for the pharmaceutical industry being expected to con-

Raw Material Gap

A variety of raw materials is used by the pharmaceutical industry for the manufacture of drugs. Several of them, particularly in the synthetic drug field, are in the nature of fine or intermediate organic chemicals. In addition, the drug industry also depends on medicinal plants and glandular materials.

Although several of the raw materials are available in the country, the position has not always been satisfactory with respect to items such as alcohol, benzene and glycerine. The availability of glandular materials has not also been fully established, partly as a result of the absence of modern slaughter houses and partly because of the restrictions imposed on the types of cattle that could be slaughtered. A good deal remains to be done, again, in the matter of extending plantations or taking other measures for the cultivation of medicinal plants.

cede that the manufacturing and marketing of formulations should be promoted as a special or separate interest through a small-scale sector in the industry. It would be much more relevant really to emphasise the point that the drug control administrations in the states should be vastly improved, particularly with a view to weeding out the production of sub-standard or spurious drugs, which is so much a feature of the small-scale sector and which, besides doing damage to the cause of public health and medical care within the country, must also befoul the reputation and credibility of our pharmaceutical products in the export trade.

Enter Public Sector

The fact that, in the earlier stages of the development of the pharmaceutical industry in this country, the firms concerned were mainly interested in making and marketing formulations rather than in manufacturing basic drugs led to some emphasis being placed on the central government developing a public sector so that it could be ensured that the industry became self-reliant in national terms and progressively less dependent on external sources for basic drugs or technology. This apart, the government's general industrial policy has been to introduce an element of state enterprise in strategic or basic industries. Particularly because there has been considerable foreign participation or collaboration in the manufacture of drugs and pharmaceuticals in our country, it has been felt that this strategy of the government to build up a public sector is specially relevant to the circumstances of the pharmaceutical industry.

The public sector in the pharmaceutical industry consists primarily of two units, the Hindustan Antibiotics Limited (HAL) with its factory in Poona and the Indian Drugs and Pharmaceuticals Limited (IDPL) with a factory each in Hardwar and Hyderabad. In addition there is a Surgical Instruments Factory in Madras and there is also the Hindustan Organic Chemicals Limited which produces drug intermediates. The HAL and the IDPL, between themselves, account for an investment of about Rs 60 crores, which is about one-third of the total investment in the industry. As against this the aggregate value of their production was of the order of Rs 20 crores in 1971 or about eight per cent of the total turnover of the pharmaceutical industry in that year. The IDPL factories have indeed been slow to build up their production with the result that they have been working at well below installed capacities.

Thus, in comparison with the rest of the industry, the public sector in pharmaceuticals has a very unfavourable capital-output ratio, which is not to be explained away merely by reference to the fact that the operations of the public sector units are concentrated in the manufacture of bulk drugs which is capital-intensive. The public sector units, it must be noted, account for only about 20 per cent of the total production of bulk drugs in the country. This is primarily because these plants have not been able to utilise their capacities fully. This has meant that, while the public sector has certainly helped to augment the availability of basic drugs in the country. it has so far not been able to do so economically or efficiently.

Nevertheless, the public sector in the pharmaceutical industry, as in some other industries, has come to stay. This is now generally accepted in the pharmaceutical industry as well as in the country at large. At the same time there is grave concern in the country over the continuous financial losses incurred in the working of the IDPL factories and there is even more acute dissatisfaction with the fact that precious manufacturing facilities established at great cost to the country are not giving their normal volume of production of drugs which the country needs and on importing some of which it is now spending precious foreign exchange. The task immediately ahead of the IDPL authorities, therefore, is to improve steadily the utilisation of installed capacities at IDPL factories.

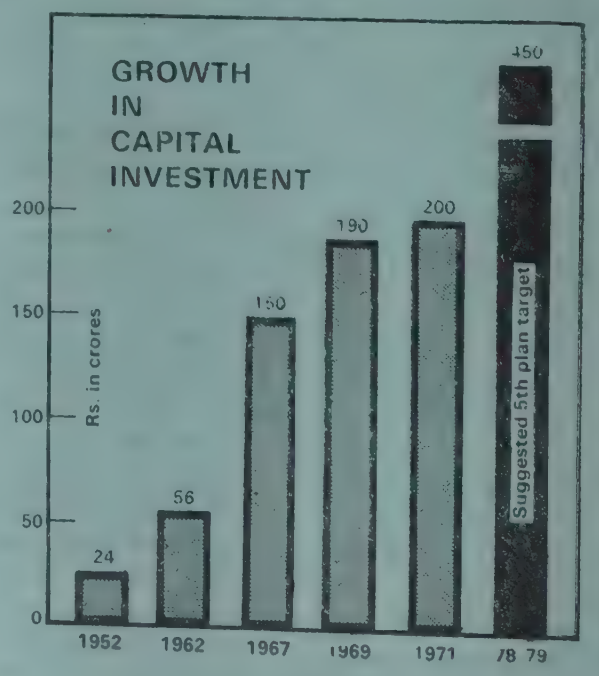
Theory Has It

In theory a strong and healthy public sector may be one of the means of ensuring that production and prices in this essential industry are not governed solely by the profit motive. It could also be argued that the presence of the public sector in this industry would make for a heightened sense of social responsibility among all the units, both public and private. But these desirable objectives can be achieved only if the manufacturing facilities in the public sector are able to function with reasonable technical or commercial efficiency. About a third of the total investment in the industry being locked up in the public sector, there has to be a fierce determination on the part of its managers to set their house in order and see that the nation secures without much further delay a reasonable dividend in terms of production and profits.

If for reasons of commercial viability the public sector units find it desirable to undertake the manufacture of formulations in addition to the manufacture of basic drugs, there is no reason why they should not do so. As a matter of fact, the IDPL has already started making formulations, but it is imperative that this extension of its activities should not be planned merely as a means of helping it to make up its losses on drug manufacture with gains from the more profitable business in formulations. An improvement in the technical efficiency and the establishment of the commercial profitability of its drug-manufacturing operations should still remain the first and foremost responsibility of the IDPL factories.

II

Between 1947 and 1952 the pharmaceutical industry grew in capital investment by nearly $2\frac{1}{2}$ times and in production by $3\frac{1}{2}$ times. Thus, in the latter year the investment amounted to Rs 24 crores and the value of production to Rs 35 crores. The industry has never looked back and the capital investment, as at present, stands at Rs 225 crores while the value of production has increased to Rs 325 crores. Growth on this scale has naturally pushed the pharmaceutical industry into the company of the major new industries in the nation. There have been good

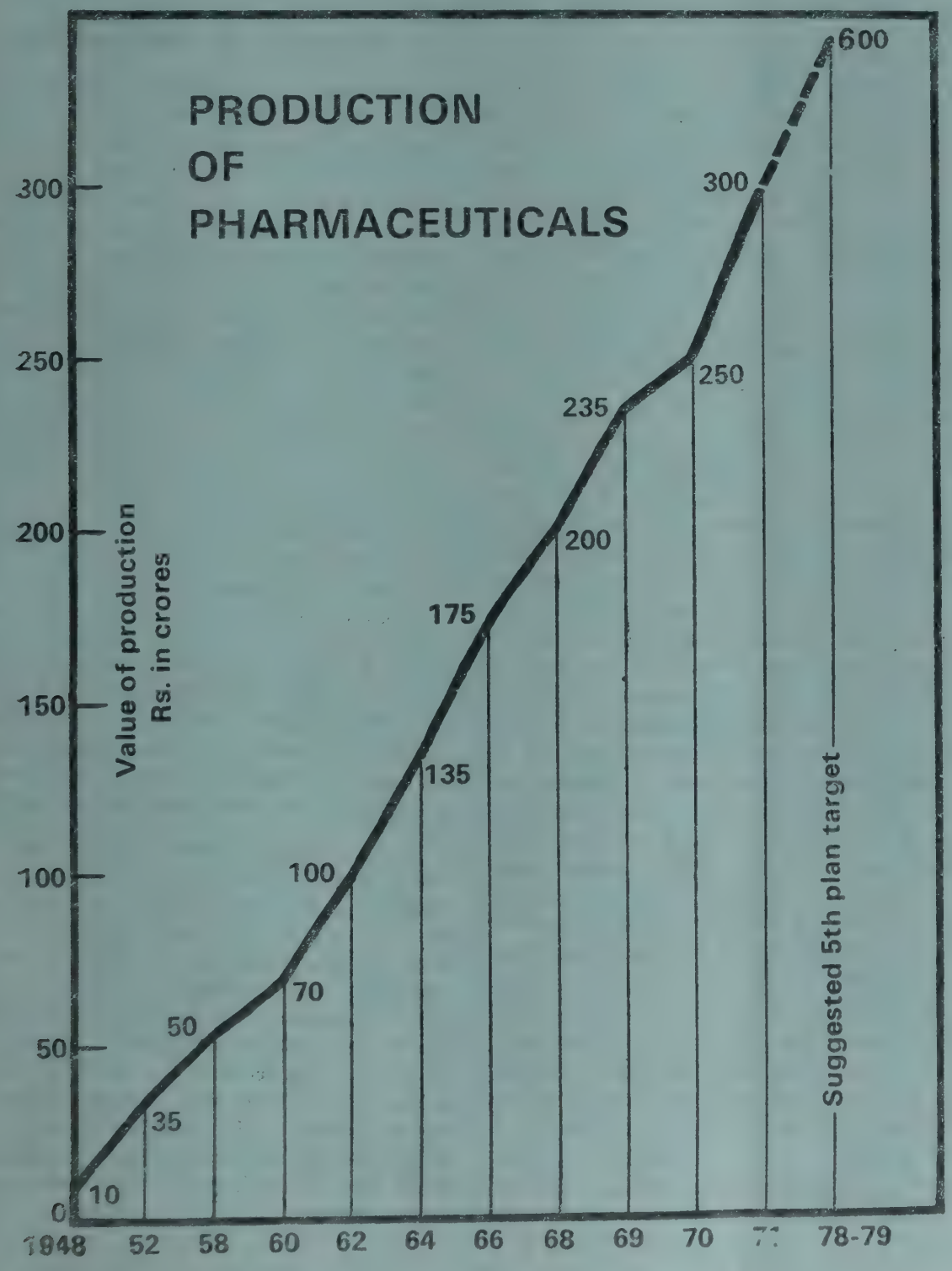


years and bad in the recent history of industrial India, but through it all, the pharmaceutical industry has been continuously dynamic and self-assertive and has managed to maintain its annual growth rates close to its long-term projections of development.

Besides its impressive record of growth, the industry has achieved considerable diversification of production within a relatively short period. The range of products manufactured includes Antibiotics, Anti-TB drugs, Anti-diabetic drugs, Sulpha drugs, Anaesthetics, Anti-malarials, Anti-dysentery drugs, Anti-leprosy drugs, Anti-pyretics, Analgesics, Vitamins, Tranquillisers, Anti-histamines and various other pharmaceutical chemicals.

Manufacturing activity has grown not only horizontally but also vertically. An industry which, only twenty-five years ago, was largely confined to processing and formulations, now shows substantial progress in basic manufacture, that is, the manufacture of finished pharmaceutical products from local raw materials. The value of this basic manufacture is of the order of Rs 45-50 crores at present representing about 12 per cent of the aggregate value of production in the industry. Formulations of the value of Rs 175-200 crores are produced with the basically manufactured items. Imported bulk drugs and intermediates account for the balance of about Rs 100 crores of formulations produced in this country.

Imports of raw materials for the industry involved a foreign exchange expenditure of about Rs 35 crores in the year 1971-72. Although the value of imports has increased from Rs 13 crores in 1961-62 to Rs 35 crores at present, the imports as a percentage of total production have tended to decline, the relevant percentage being 10 for 1971-72 as against 13 for 1961-62. Here it is of some importance to take note of the fact that, although the value of production in the small-scale sector is only Rs 20 crores as against the value of production in the organised sector at over Rs 300 crores, the value of imports of raw materials attributable to the small-scale sector was reported to be as high as Rs 11.50 crores in 1972 as compared with the corresponding figure of Rs 18.7 crores for the organised sector. Since the small-scale sector is almost exclusively confined to the manufacture of formulations, its dependence on imports for its requirements of basic drugs is bound to be more than that of the organised sector which is processing its raw materials from domestic sources on an increasing scale. The position, then, is that the organised sector, taken alone, is therefore responsible only for an import bill of a little more than six per cent of the value of its production of pharmaceuticals.



To Pay its Way

Some part of the import bill of the industry is being met by its export earnings. Its ability to do so is growing. Fifteen years ago exports were less than Rs one crore in value. Now they are nearly of the order of Rs 10 crores in value. These exports include finished preparations, bulk drugs and quinine. Once again note must be taken of the contribution of the organised sector, particularly firms with international connections, to which the bulk of these exports is to be credited. When the export earnings of the organised sector are considered in relation to the expenditure of foreign exchange on its import requirements, it would be seen that the greater part of the expenditure is met from the earnings so much so the net demand of the organised sector in the pharmaceutical industry on the country's resources of foreign exchange for the import of raw material requirements is of extremely modest dimensions.

The industry's performance in terms of prices charged to the consumer in this country has not been unsatisfactory. On the contrary, as the international prices of imported bulk drugs kept coming down and the domestic production of formulations increased steadily, the prices of antibiotics, anti-T.B. drugs, har-

mones, vitamins, etc. were brought down year by year. Indeed, there is some ground for the suspicion that the prices, for instance, of antibiotics might have declined even more sharply but for the fact that the government was interested in the nascent public sector unit not being exposed too much to competition from other domestic manufacturers.

Clean Bill

The Tariff Commission, which conducted an enquiry between 1966 and 1968 into the cost structure of 18 specified drugs and formulations of these drugs, with a view to recommending to what extent their prices could be lowered, expressed two important opinions on the prices of drugs and pharmaceuticals in this country. On the basis of the evidence considered by it, it held that the domestic prices of the selected drugs studied by it were generally very much lower in most cases in other countries. But it attributed this unfavourable situation to the high cost of chemicals, intermediates, equipments, high taxation, absence of automation and low productivity in this country. There was, significantly, no mention of profiteering or other unfair trade practices. On the contrary, the Tariff Commission found that there had been no serious shortage of drugs or other indications of the industry manipulating either production or distribution with a view to charging excessive prices. More important still, the Tariff Commission found that the prices of formulations in the Indian market, by and large, compared favourably with the prices of similar formulations in the domestic markets of other countries.

Nevertheless, the fact remains that drug prices or the cost of medicines has always been an emotive issue in discussions all over the world. This is due to a number of reasons. In the first place, there is a natural desire among people everywhere that health care should be kept as inexpensive as possible and that commercial interests should not be allowed to exploit ill health or disease for making excessive profits for themselves. Then there is the widespread suspicion that the pharmaceutical industry is so organised that its units are able to enjoy an undesirable immunity from the free play of the market forces of supply and demand. In other words, it is widely suspected that there is not enough free competition in this industry and that therefore there is a large element of monopoly entrenched in this industry. Finally, there is the objective fact that the pharmaceutical industry is one of the 'high profit' industries, yielding a larger return on the capital invested than many other industries. Consequently, governments in most countries are under the constant pressure of public opinion to exercise vigilance, if not control, over the prices of drugs and pharmaceuticals.

In our country, there have been some additional reasons for government or public opinion being particularly sensitive to the prices of drugs and medicines. Since there is a large foreign presence in the Indian pharmaceutical industry, it has been tempting to assume that our country's dependence on foreign know-how or technology has been or is being exploited for the earning of quick or large profits. Secondly, since foreign participation in the industry involves payment in foreign exchange in the form of royalties or know-how fees or repatriation of dividends, the people and the government of this country are naturally anxious to ensure that the burden of this foreign exchange expenditure is not inflated through high prices for drugs or chemicals or high profit levels for the firms manufacturing them.

Regulation a 'must'

A certain degree of regulation or control of the prices of drugs and pharmaceuticals seems to have become one of the general obligations of governments towards their citizens in all parts of the world. Even in countries where there may be no formal government control over the prices of drugs or pharmaceuticals, there is often either a regular machinery or periodical investigations to ascertain facts and exercise vigilance in the public interest on production, prices and profits in this industry. In our own country it would be quite unrealistic to plead that the government should adopt a 'hands off' policy towards drug prices or profits. As a matter of fact, from 1963 onwards, there has been a certain measure of government control or regulation over drug prices. There has of course been much complaint, particularly on the part of the industry, against the administration of this control. It has been argued that the industry has been deprived or certain flexibility in its pricing structure and that this has not been to the advantage of the public. It has been alleged, for instance, that the machinery or pattern of control has actually been coming in the way of the prices of some drugs and pharmaceuticals coming down more than they have. It has also been said that the arbitrariness of government decisions on individual prices as well as the procedural delays involved in government approving the prices have been responsible for not only delaying the introduction of new drugs in this country but also frequently in discouraging pharmaceutical firms from proposing their manufacture.

The controversy over drug pricing and the criticism of the government or the industry in relation to it reached a new pitch when, following the report of the Tariff Commission, the government issued its Drugs (Prices Control) Order on the 16th May, 1970. A for-

Imports of Bulk Drugs

The imports of essential drugs as well as other drugs, including drug intermediates, amounted to Rs 24.05 crores in 1968-69, Rs 26.18 crores in 1969-70 and Rs 27.28 crores in 1970-71. These figures however included items such as iodine, yeast powder, chloroform, dextrose, hexamine, etc., not all of which were imported for the production of drugs. After deducting the figures for such items, the figures for imports of bulk drugs during the years 1969-70 and 1970-71 work out as follows :

(Rs. crores)

Imports/Year	1969-70	1970-71
Import of bulk drugs :		
(*a*) To supplement local production	9.4	11.0
(*b*) Not manufactured locally	3.8	4.1
Total (a+b)	13.2	15.1

It will be seen that imports of bulk drugs of both the categories are rising. It is therefore necessary to stimulate the domestic manufacture of these drugs and also set up facilities for the production of newer items as and when required.

In this connection it must be noted that the pharmaceutical industry is primarily a process industry in which technological improvements are fairly rapid and larger yields could be secured from existing equipment with or without marginal additions. Higher productivity so secured has a favourable impact on the cost of production and should therefore be encouraged. The additional production achieved by some of the units in the industry over their respective licensed capacities represent in part technological improvements of this nature. The government should have no difficulty in regularising such 'excess' capacity.

mula has been prescribed in the order for the calculation of retail prices and various mark-ups ranging from 75 per cent to 150 per cent are allowed on the ex-factory cost. These mark-ups are intended to cover manufacturers' margin, promotional expenses, outward freight, distribution costs and trade commission. It is however not the case that a fixed percentage is allowed in all cases. The percentages depend on the government's appreciation of individual cases of drugs or formulations and in many instances the mark-ups given have been below 75 per cent.

An alternative scheme of pricing of drugs allows a greater degree of flexibility to the manufacturer in the fixation of prices. Under this scheme mark-ups exceeding 150 per cent have also been allowed on drugs. But this scheme stipulates that the gross profit (before tax) of the manufacturing concern should not exceed 15 per cent of the turnover in any year. Where the gross profit (before tax) is found to exceed this limit the excess has to be funded separately and is available for utilisation, with the prior approval of the government, for the following purposes:

(a) Research and Development expenditure;

(b) Adjustment against future profits or losses; and

(c) Such other purposes as may be specified by the central government from time to time.

In addition to the above regulations governing pricing, whenever it is brought to the notice of the government that the selling price of a particular formulation seems to be high, the government has been making a further examination of the pricing of the particular formulation with a view to effecting a reduction in its price.

Heads I Win

Apart from the short-term complications and difficulties experienced both by the government and the industry in implementing this price control order, there have been certain other problems raised by this attempt on the part of the government to reduce the level of prices of drugs and their formulations which have given rise to continuing debates. The main complaint of the industry has been that, in implementing the price control order, the ministry concerned seems to be functioning on the basis of a purely opportunist strategy of "Heads I win, tails you lose." In other words, while the ministry of Petroleum and Chemicals has been applying one or the other formula under the price control order with a view to bringing down the price of drugs or formulations wherever possible, it has not been disposed to grant increases in prices where they are justified by increases in the cost of raw materials or other manufacturing costs, or the special circumstances attendant on the introduction of new drugs. Again, a mark-up lower than that contemplated in the price control order is often imposed on a drug or a formulation in an arbitrary manner and almost at the sweet will and pleasure of the ministry concerned. It has been the contention of the industry that this price control order and more so the way it has been or is being implemented has created conditions of grave instability in the industry's operations and its financial circumstances and that this must necessarily hamper expansion of investment or production, discourage the introduction of new drugs and render expenditure on Research and Development unattractive. The argument, in other words, is that the profitability of the industry may well be reduced to an extent which could slow down its rate of growth and thereby result in a great disservice being done to the public which has a vital interest in the steady expansion of production of modern drugs and pharmaceuticals and their availability at reasonable prices.

As against this view of the industry, the government, immediately on the issue of the price control order of May 1970 came in for criticism in parliament and the press for allegedly failing to satisfy the expectations raised among the public of a substantial all-round reduction in the prices of drugs and medicines. The fact that the prices of a few formulations were allowed to be increased was taken as evidence that the industry had been able to get the better of the ministry of Petroleum and Chemicals in the negotiations relating to the price structure.

In an attempt to allay public concern or refute the allegations of its critics, the Organisation of Pharmaceutical Producers of India (OPPI), having 65 members, including many international companies as well as reputed Indian firms, which among themselves market about 2,500 products amounting to about 80 per cent of the country's total drug production, gave wide publicity to the changes in prices brought about by the price control order. According to it, its member firms, taken together, had reduced the prices of about 1,100 items representing 44 per cent of the total production, while increasing the prices of only 400 items representing 16 per cent of the output. The prices of the remaining 1,000 items constituting 40 per cent of the output had remained unchanged.

The OPPI also emphasised the point that the price reductions had ranged from five per cent all the way up to 55 per cent and had covered most of the essential drugs in the categories of antibiotics, harmones, vitamins, anti-diabetics, anti-malarials, drugs for cardiac diseases, dysentery, typhoid, etc. It was also claimed that, where there had been price increases, those increases were well below the mark-up provided in the order and were effected only in

Imports Banned

From time to time the government of India has been taking items off the permissible list of imports. One of the main reasons and perhaps the most important reason for which imports of particular items are banned, is that domestic production has made satisfactory progress. In this way, the list of items, the import of which has been banned, serves as a good index of the progress made by various industries in the areas of self-reliance and import substitution.

In the case of the pharmaceutical industry, the import policy for the financial year ending March, 1974, has taken 10 items of allopathic drugs and medicines off the permissible list. With the addition of these 10 items, the number of allopathic drugs and medicines and preparations thereof, which will not be permitted to be imported against licences issued for drugs and medicines has risen to 111 in all.

The Trade Deficit

The following figures indicate trends in the imports and exports of drugs and pharmaceutical products since 1964-65 :

(Value in Rs crores)

Year	Exports	Imports
1964-65	1.15	8.21
1965-66	2.64	7.31
1966-67	2.85	17.41
1967-68	3.33	17.52
1968-69	3.40	17.50
1969-70	5.97	18.30
1970-71	8.46	24.28
1971-72	8.70	26.56

Thus, while exports have risen nearly eight times, imports have also registered an increase of more than three times. In absolute terms imports now exceed exports by nearly Rs 18 crores; hence the need for more vigorous efforts to bridge the gap between imports and exports.

those cases where manufacturing costs had risen steadily.

The industry, however, has not been left with the last word on the subject. On the contrary, thanks to continuing pressure on the government to effect further reductions in the prices of drugs and medicines, the ministry of Petroleum and Chemicals set up a working group in September, 1970, under the chairmanship of the then chairman of the Bureau of Industrial Costs and Prices, to study the cost structure of another 24 bulk drugs (the Tariff Commission had earlier examined the cost structure of 18 bulk drugs) and recommend fair selling prices in respect of them. The working group was also asked to review the norms for conversion costs and packing as prescribed by the government and recommend the extent to which these might be required to be modified. The Bureau of Industrial Costs and Prices submitted its report in four parts during the period May-October, 1972. The report is at present under consideration of the government and a decision is expected to be taken soon.

The reaction of the pharmaceutical industry to this new enquiry being ordered so soon after the Drugs (Prices Control) Order, 1970, had effected such substantial changes in the price structure of bulk drugs and formulations, was predictably adverse. It was strongly felt that there was no justification for another investigation when the enforcement of the scheme of 1970 was still to reveal its full consequences and when in any case substantial benefits had been secured to the public through significant reductions in the incidence of the cost of medicines.

The anxieties felt by the industry over the institution of this further enquiry into its cost and price structure were naturally aggravated by reports appearing in the newspapers that the Bureau of Industrial Costs and Prices had recommended further drastic reductions in mark-ups and ceiling on profits from those prescribed in the Drugs (Prices Control) Order, 1970. These reports suggested that the revised ceiling on profits recommended by the Bureau would be 15 per cent on capital employed, which would work out to around 7.5 per cent on the sales turnover against the present ceiling of 15 per cent on sales turnover. It was also indicated that there would be a three-tier system of mark-ups and profit ceilings depending on the size of the units in the industry and that the ceilings on profits would be applied before allowing for bonus and interest.

The OPPI have represented to the government that, assuming that the recommendations of the Bureau of Industrial Costs and Prices had been accurately reported in the press, those recommendations, if accepted by the government, would have serious repercussions on the operations of the industry at its present level of functioning and more particularly on its ability to achieve the targets and goals which are being set for it in the next five-year Plan period. The government for its part seems to be willing to concede that the representations it has received from the OPPI and other sources should be taken into consideration in arriving at decisions on the report of the Bureau of Industrial Costs and Prices.

An interesting feature of the discussions and debates, which have been raging around the price issue, is that the critics of the industry seem to be less concerned with the reasonableness or fairness of the prices themselves than with the profits the industry is (or is alleged to be) making. The argument here, in other words, is that, since the industry is making what is regarded as high profits, it must necessarily follow that it is charging high prices for its products. But what exactly is the true profit situation in the industry like? Here a great deal of misunderstanding exists simply because the level of profits in this industry is compared straightway with the average level of profits for all industries.

The Reserve Bank of India has been publishing its studies of the finances of medium and large public limited companies for some time now. Its data on the pharmaceutical industry

The Profitability Problem

Prices and profits in the pharmaceutical industry have to be studied in relation to certain facts which are of special relevance to this industry. The prices of pharmaceuticals, for instance, need to reflect R &D costs which are relatively high in comparison with corresponding costs in other industries. They reflect also the fact that promotion efforts, which are directed primarily towards physicians, are expensive. Finally, they reflect the fact that there exists in the industry a high degree of competition based essentially on quality and innovation as distinct from the normal competition based on quality, innovation and price.

This industry is heavily research-oriented. It is also a high-risk industry. The following data from a study undertaken in Britain indicates the degree of risk in the pharmaceutical and comparable industries:

	Per cent
Pharmaceuticals	11.4
Food	7.2
Drink	5.1
Chemicals	7.7

There is increasing concern in the pharmaceutical industry in the country over the possibility that the government of India may be neither sufficiently aware of nor inclined to attach enough importance to these special circumstances of the industry while taking a view of its prices or profits. As a result of the major price reductions effected in the various product groups under the Drugs (Prices Control) Order, 1970, the industry claims that its profitability has been considerably diminished. Information received from 18 units, accounting for about 40 per cent of the overall turnover of the industry, indicates that profits before tax, as a percentage of turnover, have been steadily declining since 1969 as follows: 13.1 (1969); 11.4 (1970); 10.5 (1971) and 9·8 (1972).

It will be seen that there was a significant drop in the ratio of pre-tax profits to turnover in the year 1970 in relation to 1969. This was attributable to the price reductions effected in August, 1970, and the pooled pricing scheme for materials introduced at the same time. Since the price reductions affected only part of the 1970 financial year of most companies, the real impact of the price control order and the high prices of materials consequent to the introduction of the pooled pricing scheme became apparent only in the year 1971. The reduction in pre-tax profits from 1969, the pre-price control full year, to 1971 the post-control full year, is of the order of 20 per cent. It is estimated that there would have been a further drop of seven per cent in 1972 on account of the rising cost of materials and increases in other expenses.

The following table gives the estimates by the ministry of Petroleum and Chemicals of the price reductions effected in major product groups as per the Drugs (Prices Control) Order, 1970.

	Per cent
Antibiotics preparations	82.53
Anti-TB preparations	50.1
Sera & Vaccines	50.6
Analgics, Antipyretics, etc.	39.0
Pain balm ointments, etc.	62.8
Haematinics	54.6
Tonics & Vit. preparations	72.0
Anti-dysentery & anti-diarrhoeals	40.9
Anti-diabetics (oral & injectable)	61.0
Sulpha preparations	63.8
Corticosteriods	68.0
Digestive preparations	64.4
Cough & cold remedies	63.5
Cardiac preparations	57.0
Antiseptics	35.0

cover 39 companies representing about 70 per cent of the total production of the industry. These studies no doubt show that the level of profits is much higher in the pharmaceutical industry than for all industries. Thus, in 1969-70, which was a good year for this industry, its gross profit, as percentage of sales net of rebate and discount, was 15.5 as against 8.7 per cent for all industries. Its profits after tax amounted to 19.3 per cent of net worth as compared with 9.5 per cent for all industries. In 1970-71, after the coming into effect of the Drugs (Prices Control) Order, 1970, its gross profit came down to 16.6 per cent of sales net of rebate and discount but even then it was well above the average for all industries at nine per cent. In this year profits after tax worked out to 15,5 per cent of net worth as compared with 10.1 for all industries.

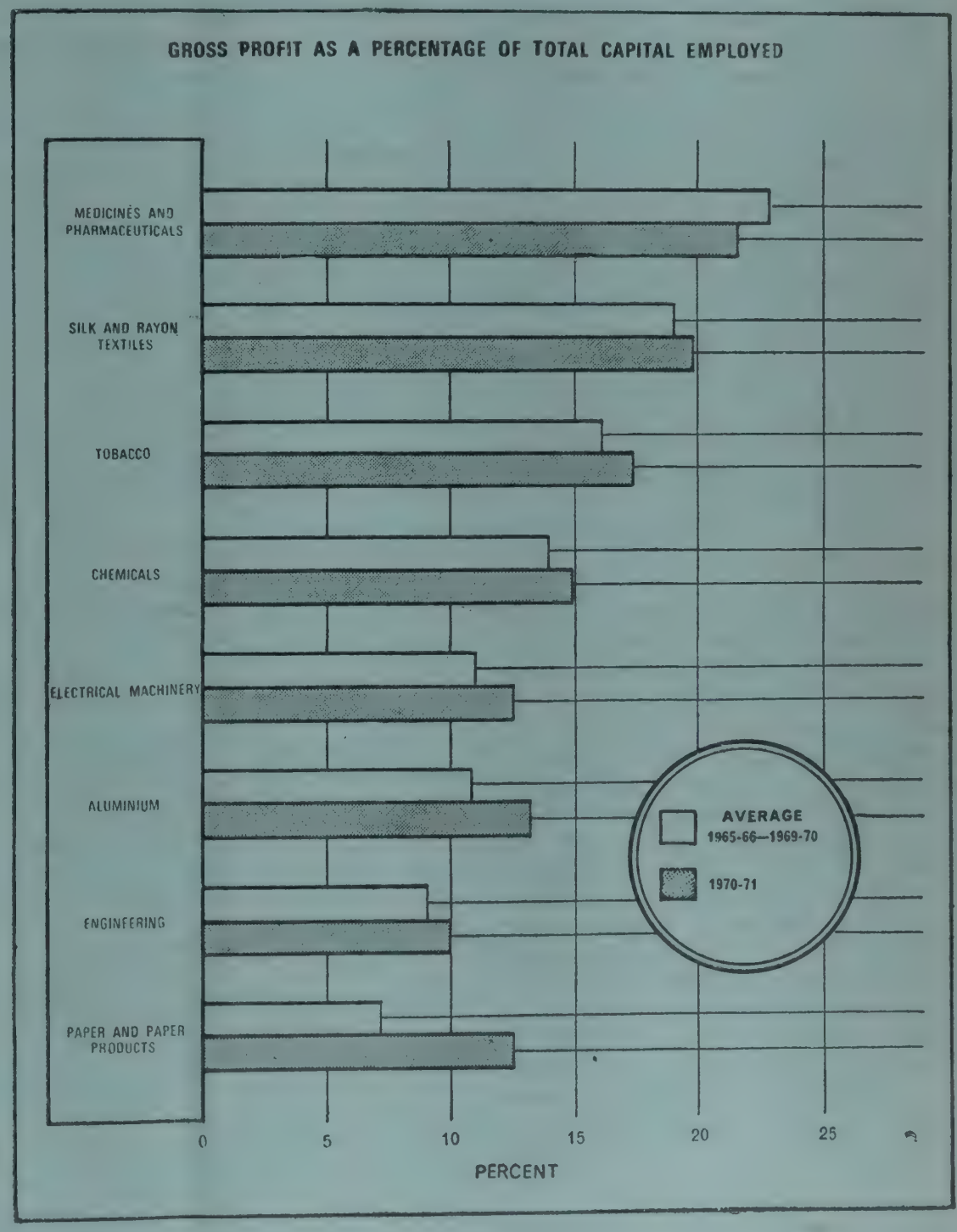
Comparisons are Odious

It must be borne in mind, however, that to compare the profits in the pharmaceutical industry with the average profitability for all industries would be illogical and pointless. The average profit for industries takes into account the losses made by some industries as well as the gains made by others. Again, several traditional or established industries necessarily show lower rates of profitability than new industries in a phase of active growth. If the profits of the pharmaceutical industry are studied with reference to the profits in comparable growth industries, it will be seen that some of these other growth industries make better showing especially after the Drugs (Prices Control) Order, 1970, had come down with a heavy hand on prices and earnings in the pharmaceutical industry. Silk and rayon textiles, for example, showed a profit after tax of 16.3 per cent of net worth in 1970-71. The corresponding figure in the case of aluminium was 19.3.

The ministry of Petroleum and Chemicals seems to have made an attempt to study how the industry's profits have fared after the issue of the Drugs (Prices Control) Order, 1970. Information was called for from 100 firms out of which 77 firms replied. A preliminary assessment of the working in respect of 34 firms having a foreign equity of over 50 per cent is stated to have disclosed that the profitability on sales turnover of formulations had declined from 18.80 per cent in 1969 to 11.10 per cent in 1971. The corresponding reduction in profitability on capital employed was from 19.09 per cent to 16.48 per cent. This assessment is still continuing in the light of further information which has been called for.

The impact of the Drugs (Prices Control) Order, 1970, on the profitability of the industry could not have been fully ascertained in the period immediately after the issue of that order. One reason was that a number of pharmaceutical firms had the advantage of being able to draw on lower priced raw materials stocked before the promulgation of the order. The industry in fact has been facing the problem of rising costs of raw materials for some years now. The pressure has been considerable both before the issue of the Drugs (Prices Control) Order, 1970 and since.

A study of the financial trends in the industry as indicated by 19 companies representing a little less than half of the total sales of all the units in this industry has shown that, although profits after tax recorded an increase of 26 per cent between 1966-67 and 1968-69, this increase was smaller than the increase in net sales. In other words, costs had increased more sharply than the sales income. Apart from the higher raw material prices, the emoluments of employees and sales promotion expenses increased at a rate faster than the increase in sales. It was only through better utilisation of capital, that



is, by bringing down capital requirement (in the form of net assets or net worth) per rupee of sale that the group of companies studied was able to secure small increases in operating profits, or profits after tax as a percentage of net worth, in the face of a decline in operating profits as a percentage of net sales over the three years from 1966-67 to 1968-69. These trends have continued after 1968-69 thereby aggravating the squeeze effect of the Drugs (Prices Control) Order, 1970, on earnings in the industry.

The profit situation in the pharmaceutical industry has been further misunderstood because, besides comparing its profitability to the average for all industries, an undue emphasis has been placed on the earnings of a few relatively large-sized leading units in the industry. The earnings of such exceptional firms, however, do not represent earnings of the industry as a whole. In every industry there are individual firms with outstanding performances which do achieve much higher levels of profitability than other firms in the field. Such a situation is all the more natural in the pharmaceutical industry since its leading firms are either those with international connections or the larger Indian firms. They are naturally in a position to command high standards of performance in terms of technology or commercial management. Their ability to employ capital and highly skilled or trained manpower profitably is naturally very considerable.

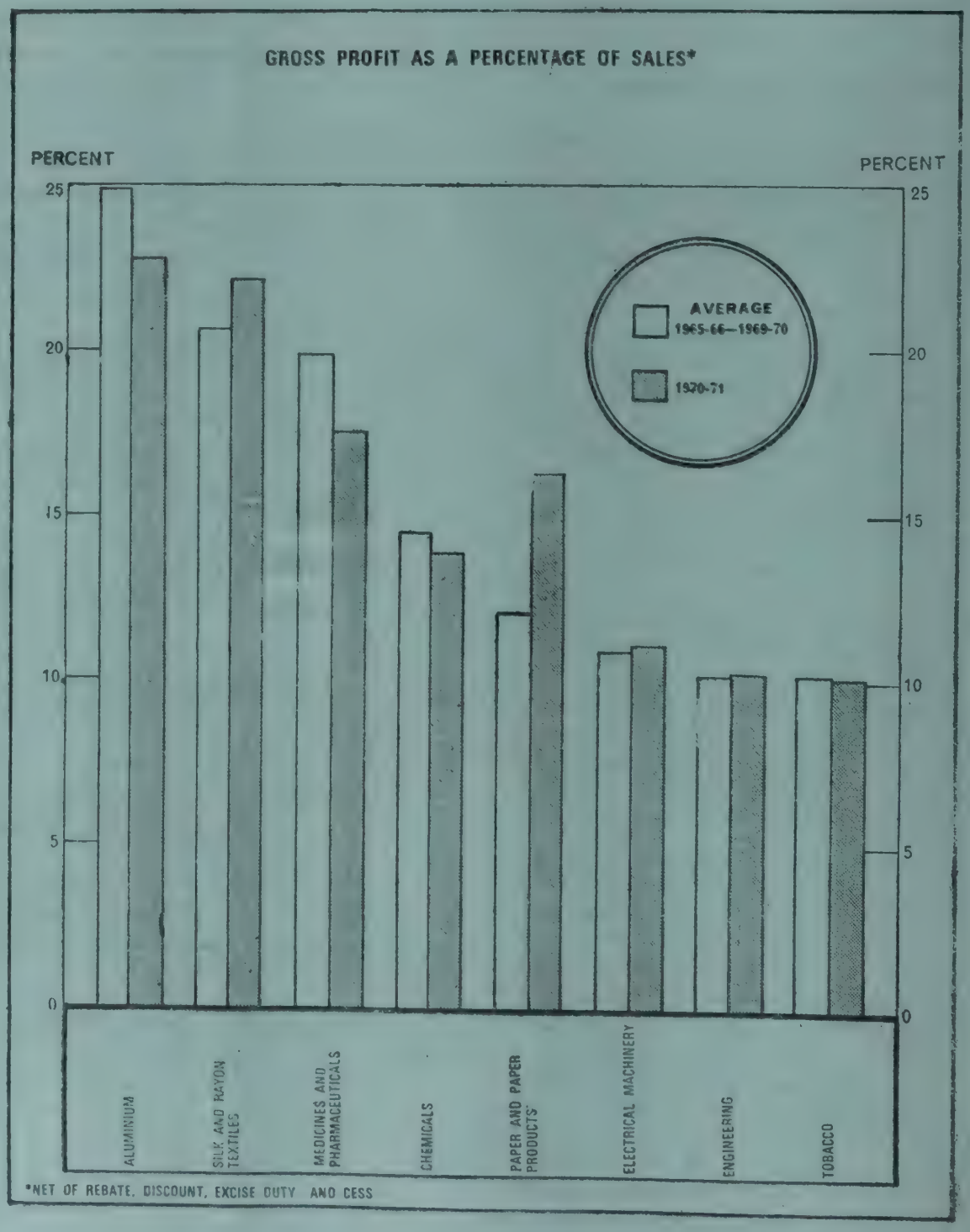
Fruits of R&D

Research and development in this industry are dynamic forces and, as a result, technological advances in this field are highly productive. Thanks to the access which the pharmaceutical industry in this country has to the fruits of R & D abroad, it has been generally possible for its leading firms to participate in the gains of this productive and advancing technology. Add to this the fact that, whereas sales for industries in general have been increasing at an average annual rate of about 10 per cent, sales in the case of the pharmaceutical industry have been going up about one and a half times as fast. Finally, while many other growth industries have been affected by recession in recent years, the pharmaceutical industry has been enjoying enviable immunity.

Against this background of discussion or analysis two propositions may be stated with reasonable confidence. The first is that, while the profitability in this industry has been running at attractive levels, it has not been excessive in terms of the profitability in other comparable growth industries. On the contrary, after the Drugs (Prices Control) Order, 1970, it seems to be losing ground in this respect in comparison with other growth industries. Secondly, the profit experience of leading units in this industry, while quite impressive, is not an unusual phenomenon but on a level with similar situations in other industries.

A strange feature of so much of the debate on profits in the pharmaceutical industry is that not much interest is generally shown in finding out to what uses these profits are put. After all, no view of profits in this industry would be complete until it has taken into account the purposes for which these profits are being utilised.

It is true that, thanks to the substantial foreign participation or collaboration, financial or technical, in the industry, a part of these earnings is being repatriated abroad in payment of dividends, royalties, technical know-how fees, etc. It has been estimated that the remittances made by firms with over 50 per cent foreign equity on account of these obligations amounted to Rs. 4.70 crores in 1971 as against Rs 5.5 crores



in 1970. Considering the size of the industry and the contribution made to its growth by firms with international connections, these payments do not seem excessive.

In this context it is worth stressing the fact that, apart from Japan, India has the largest and most comprehensive pharmaceutical industry outside the industrialised western world. It has been able to build up a pharmaceutical industry of this size largely because of the active participation of foreign capital and know-how in the growth of this industry. Whether the industry is utilising too large a part of its earnings in paying for this foreign participation or collaboration, or not, is a question which is bound to be indefinitely debated, and that too often in subjective terms. As it is, a return at the rate of 10 per cent of the gross profits of the industry to firms with foreign majority participation for their financial and technical collaboration, which is what seems to be obtaining at present, cannot be considered to be unduly high. Moreover, given the government's policy of securing a dilution of foreign equity interest in the industry and the efforts that are being made to build up indigenous technology and know-how, the incidence of these payments for foreign collaboration on the finances of the industry is apt to diminish in importance.

Meanwhile, it is surely useful to find out how well this industry has been utilising its relatively large earnings. There has been an impression in this country that the pharmaceutical firms have been doing very little research or carrying out other development activities. This impression has been able to gain ground because 'research' in this context has been narrowly defined to mean what is popularly known as basic research or is known to the pharmaceutical industry as innovative research. This question of basic or innovative research will be discussed later, but here it is necessary to take note of the fact that, apart from basic research, there is a vast field of other research activities of direct relevance and of the greatest importance to the needs of our pharmaceutical industry.

There is this question, for instance, of quality control. Thanks to the advances in modern medicine, drugs and their formulations are becoming more and more potent and precise means of curing disease or saving life. By the same token, their efficacy or safety in administration is becoming more and more dependent on the control over quality exercised at various stages of manufacturing or marketing. Credit is due to the organised sector in the pharmaceutical industry in this country for paying the greatest attention to quality control from the outset. Thanks to its dedication to this cause, its products enjoy a high reputation and acceptance within our country, while many of our leading pharmaceutical firms have been able to establish credibility for their products abroad as coming fully up to international standards.

Now quality control is expensive business. It means the application of the most exacting standards from the purchase, inspection and handling of raw materials onwards. It means highly trained and skilled technicians, aseptic or otherwise hygienic conditions maintained at some cost at the manufacturing or processing facilities, elaborate testing with laboratory animals followed often by clinical trials and indeed a whole series of highly integrated operations to ensure purity, safety and other attributes of efficacy of drugs, such as consistency, stability and shelf-life. It is clear that no industry or firm, which is working at or near hand-to-mouth existence or even unattractive levels of profit, can have the resources or may have a continuing will to spend adequately or perhaps generously on quality control.

Quality control thus involves research or development activity to an extent not usually appreciated. Equally inadequately recognised is the fact that research and development are also implied in the continuing effort of the pharmaceutical industry in this country to find indigenous substitutes for imported primary raw materials or intermediates required in the manufacture of basic drugs. Time after time the import policy announcements of the government keep adding to the list of drugs or formulations the imports of which are banned. This becomes possible only because the pharmaceutical industry in this country is constantly engaged in import substitution and making available from domestic production

Research and Development in India

National laboratories such as the Central Drug Research Institute, Lucknow, the Regional Research Laboratory, Hyderabad, and the National Chemical Laboratory, Poona, are engaged in the development of new drugs, drug intermediates, etc. on their own or on the basis of the problems entrusted to them by public and private sector drug units. The Hindustan Antibiotics Limited and the Indian Drugs and Pharmaceuticals Limited are also undertaking R & D activities as a part of their schemes. In the private sector, three research centres, with basic R & D as their main objective, were established in recent years. They are the Ciba Research Centre (1961), the Sarabhai Research Centre (1967) and the Hoechst Research Centre (1971). Other pharmaceutical firms such as Alembic Chemical Works Limited, Unichem Laboratories Limited, Bengal Immunity, East India Pharmaceutical Works, Glaxo Laboratories, Johnson and Johnson, Pfizer, Richardson Hindustan, Chemo Pharma Laboratories and Warner-Hindustan Limited have also organised R & D activities. The organised sector in the industry generally is engaged in various types of pharmaceutical research, such as process development, import substitution, formulation and packaging development.

A minmum critical-sized research unit must be capable of screening 2,000-2,600 compounds in about three years. The discovery of a single new drug requires, on an average, screening of between 3,000-4,000 new compounds. The capital cost of establishing a research unit in India is Rs 2 crores. Recurring expenditure of such a unit will be Rs 30-40 lakhs. To sustain or support any significant R & D effort, the industry and the units comprising it should have a minimum turnover and profitability. In comparison with the international pharmaceutical industry, whose leaders have annual turnover in excess of Rs 250 crores, the Indian pharmaceutical industry has only a few companies with turnover exceeding Rs 10 crores. Even in the case of the Ciba or Hoechst Research Centre, the capital equipment had to be gifted by the parent company. Leading pharmaceutical firms in this country, however, have the advantage of international connections or access to foreign sources of know-how which enable them to exploit commercially the fruits of R & D in pharmaceutical laboratories abroad.

In 1971 the pharmaceutical industry in this country spent somewhat less than Rs 5 crores or less than 2 per cent of its turnover on research. The corresponding figures for Switzerland were about Rs 250 crores and for the United States Rs 600 crores. The western pharmaceutical industry spends on an average from 10 to 12 per cent of its pharmaceutical turnover on research. As a consequence of this intensive drug research, the majority of new drugs developed during the last 25 years came from Switzerland or western Europe : USA (252 or 61.9 per cent); Switzerland (54 or 6.4 per cent); Germany (39 or 4.6 per cent); UK (38 or 4.5 per cent) and France (22 or 2.6 per cent).

drugs and medicines which would otherwise have to be imported.

This import substitution again involves a good deal of research and development activities relating to indigenous substitutes for imports. Broadly speaking, import substitution tends to raise costs and it is therefore a responsibility which only a sufficiently profitable industry can undertake steadily and with confidence. If the cushion of profits is too thin, the willingness of the firm concerned to risk increases in cost of manufacture, which it may find difficult to recover from its sale prices, would naturally be limited.

Vital Obligation

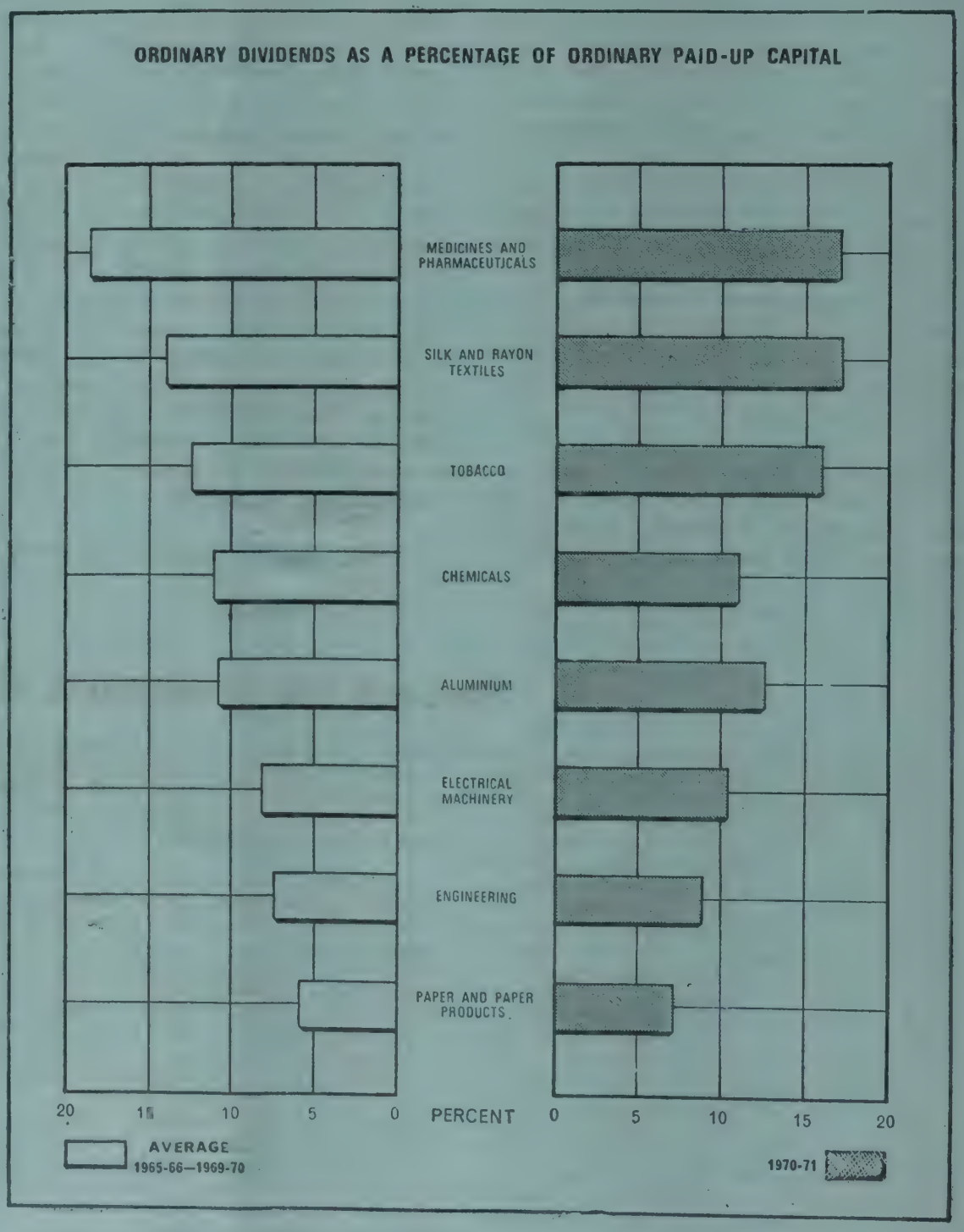
In one sense drugs and pharmaceuticals are consumer goods; to some extent some of them are sold over the counter directly to the consumer. More generally, however, they are an integral part of a highly sophisticated service industry. A whole complex of medical personnel and institutional arrangements is involved in the prescription and administration of drugs or pharmaceuticals to patients. This means that the proper use of drugs or pharmaceuticals demands an elaborate infrastructure of institutions, specially qualified personnel and other facilities. Especially because of the rapid advances in modern medicine, drugs or their formulations have become subject to very rapid obsolescence. It is often noted that most of the drugs in common use now were unknown even thirty years ago. In the circumstances, any pharmaceutical industry, with claims to modernity, has the obligation of ensuring that the medical profession is fully posted with the latest information about the range of drugs and pharmaceuticals currently available for the prevention or treatment of diseases.

In India, as in other countries, the pharmaceutical industry attempts to discharge this obligation through the concept of the 'health team'. According to this concept the pharmaceutical industry has to work through the government, the doctor, the chemist and the nurse to bring the fruits of its research and development and manufacturing effort to the public at large.

In this concept of the 'health team', the relationship between the general practitioner and the pharmaceutical industry is of particular importance, because it is at the level of the general practitioner that the widest coverage of the community by modern medicines takes place or is attempted. This relationship is essentially a function of communication, that is, this relationship has to be built up and maintained by the pharmaceutical industry evolving a network of communication through which the general practitioner is constantly enabled to keep his knowledge of drugs and pharmaceuticals up-to-date.

This communication network functions through the processes of what are termed 'medical advertising' or 'medical promotion'. The major purpose of medical promotion is to bring to the notice of as many general practitioners as possible as much information about new drugs as soon as possible. This is a very specialised service and is therefore naturally an expensive one. The dissemination of medical literature as widely as possible and the large-scale deployment of medical representatives for field work cost a great deal of money. It has been found from the survey of 19 companies to which reference was made earlier that sales promotion expenditure accounted for about eight per cent of the total cost. It is clear that the industry must be able to count on reasonable prospects of attractive profits if it is to find resources of this order for sales promotion in what is a highly competitive field.

It has been argued that some at least of this sales promotion expenditure is economically unjustified and socially wasteful since it is related to the prevalence of a considerable degree of



'me-tooism' in the industry. The grievance here is that the same or similar products are promoted by rival manufacturers with a lot of expensive advertising ballyhoo that confers no genuine benefit on consumers. While there is some justification for this criticism, its importance could be easily exaggerated.

Apart from the fact that competitive advertising necessarily implies competition among manufacturers, which should be of some advantage to the consumer, the scope for wasteful advertising appears to be apreciably less in the pharmaceutical industry than in most other industries. This is for the reason that ethical or prescription drugs or pharmaceuticals account for the bulk of its business while over-the-counter sales form a much smaller part. In the case of ethical or prescription drugs or pharmaceuticals the industry has to communicate directly with the medical profession through specialised literature or medical representatives as has been noted earlier. This means that the machinery of communication is an essential ingredient of the concept of the 'health team'.

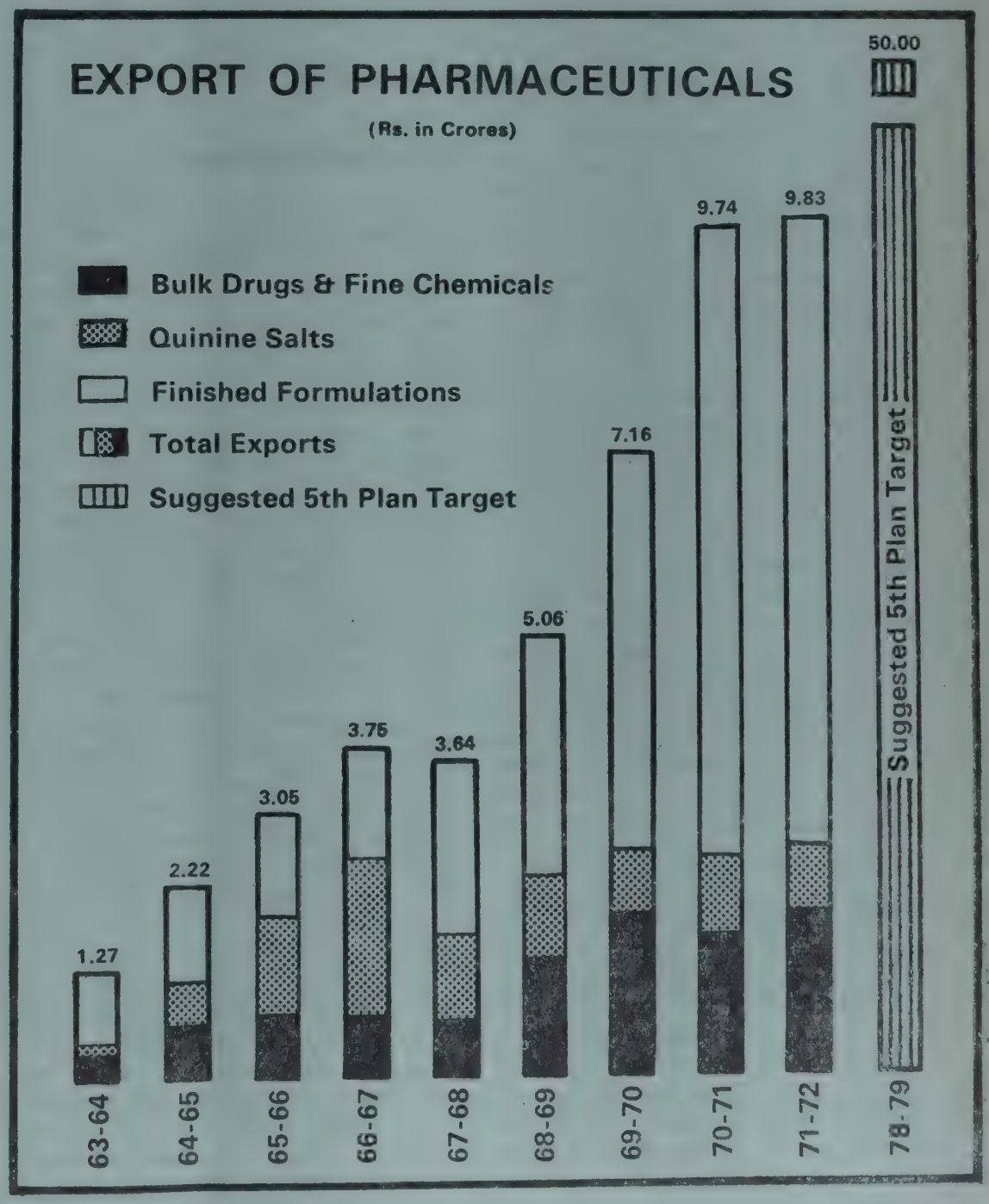
An industry which aims at or achieves a high rate of investment within a relatively short period must make large demands on the savings of the community. The pharmaceutical industry in this country has been no exception to this rule, but in its case, the resources for its continuing investment have been financed largely by its own earnings. Its dependence on new equity capital has been limited mostly to the floating of new enterprises or related mainly to the dilution of foreign equity in existing units. Its resort to loan capital, again has been quite modest.

Self-Financing

Thus, the study of the 19 companies mentioned earlier found that over the two years of 1967-68 and 1968-69, internal sources had accounted for 76.2 per cent of the total funds employed while external sources were responsible for only 23.8 per cent. Reserve Bank studies of the finances of medium and large public limited companies show that profits retained as a percentage of profits after tax have been at a remarkably high level in the pharmaceutical industry over the years. In 1971, for instance, this percentage stood at 47.8 and although it was not the highest of its kind, it was still higher than the corresponding percentages for quite a number of other industries. The point to note here is that the industry has been ploughing back enough profits to meet the bulk of the demand for financing its rapid growth.

The industry's dividend record again shows a sense of responsibility in the use of profits. As is natural for a rapidly growing industry with a number of dynamic and highly efficient constituent firms, the pharmaceutical industry has been distributing attractive dividends to its shareholders, who have also derived in some cases additional benefit from the capitalisation of reserves for the issue of bonus shares. The Reserve Bank studies show that the amounts distributed as dividends were in excess of 50 per cent of the profits after tax in all the years from 1965-66 to 1970-71 (both years inclusive); in this period they were above 60 per cent in the year 1967-68. Ordinary dividend worked out to 20 per cent of ordinary paid-up capital in 1965-66 as against the average for all industries of 10.4 per cent. For 1970-71 the figure for the pharmaceutical industry was 17 per cent as against 10.6 per cent for all industries. In other years also the position had been similarly satisfactory. The pharmaceutical industry has undoubtedly been doing well by shareholders. This is certainly a wholesome feature in any fast-growing and efficiently managed industry. That this liberal dividend policy has been accompanied by a responsible policy with regard to retained profits suggests that the interests of the shareholders as well as the larger interests of the community have been well served.

In any discussion of the utilisation by an industry of its earnings, sufficient note must be taken of how it has been treating its employees. The pharmaceutical industry stands this test well. Partly because of the presence of foreign firms or firms with international connec-



ions, and partly because the industry is in special need of highly qualified or trained technical personnel, its salary or wage structure, apart from generous amenities and fringe benefits for its employees, compares favourably with the salary structures of most other industries. The study of 19 companies reported that employees' emoluments and welfare expenses amounted to about 18 per cent of the total expenditure in 1968-69 and the tendency was for this item of cost to increase sharply from year to year.

Shared Prosperity

Recently, when the report of the third Pay Commission for central government employees was published, certain interesting comparisons of wage structures were published in the press. It was noted on this occasion that a peon in central government service, even with a minimum pay of Rs 185 as recommended by the commission against the Rs 170 he was getting since 1970, would still be earning far below his counterpart either in a nationalised bank or in many organised industries. In 1970 the pay of a peon in a nationalised bank was Rs 277, an engineering company Rs 217, an oil mill Rs 293, an electrical manufacturing company Rs 279 and a petroleum company Rs 218. The highest figure mentioned in this context was for the pharmaceutical industry where the pay of a peon was Rs 385 in 1970.

These reports also noted that a clerk in central government service was getting Rs 249 in 1970 while a clerk in a nationalised bank was receiving Rs 292, the Reserve Bank Rs 387, an engineering company Rs 261, an oil mill Rs 415, an electrical company Rs 436 and a petroleum company Rs 356. Once again the pharmaceutical industry sported the highest figure, with a clerk in a pharmaceutical unit receiving Rs 522. The general structure of emoluments in the pharmaceutical industry therefore shows that its employees and workers at all levels have been able to share in a satisfying manner in the benefits of its growth or productivity.

Mind the Context

This then is the total context in which the relatively high earnings of the pharmaceutical industry have to be objectively examined. It is true that this industry is one of those making relatively high profits, but it has not been earning its profits at the expense of the public which buys its products or against the interests of the community. Equally important is the fact that it has been using its profits in a responsible manner and in socially relevant or beneficial ways.

The affairs of an industry as essential to the well-being of the country as the pharmaceutical industry are a matter of public interest at all times. They, however, acquire special significance at the present time because the fifth five-year Plan contemplates an almost explosive expansion of the industry, both in its investment and production, so that it may be able to meet the vastly increased needs of a massive public health programme. The progress made in medical care for the people in the years since independence was noted earlier. Considerable as this advance has been and striking its consequences in terms of improvements in vital health statistics, it would still be true that the benefits of modern medicine are yet to reach millions of our people, particularly those living in the villages or even small towns.

Deprived millions

It is true that the control of communicable diseases has made a great difference to the health or longevity even of people in the countryside. But so far as their regular access to the latest advances in modern medicine in an organised manner is concerned, quite possibly some 80 per cent of the people of this country still belong to the category of the 'deprived'. This is the challenge which the nation's programme of health care in the seventies must accept. Meanwhile, international statistics of per capita consumption of drugs and medicines show the average Indian to great disadvantage. While comparisons of national experiences based on these statistics are not to be taken at face value since they are subject to many qualifications, it is certainly disturbing to find that in this country, where malnutrition is widely prevalent and where environmental hygiene leaves so much to be desired, so large a part of the population is without benefit of modern medicine.

There are of course many reasons for the thin spread of modern medicine over the population of this country. The first and foremost cause, undoubtedly, is the poverty of the people. Another reason, nearly as pervasive, is ignorance. There are perhaps nearly as many people as are sceptical of hostile to modern medicine as are those who cannot afford these medicines because of their low or negligible incomes. Poverty and ignorance, however, are, on this occasion as on others, obstacles to be fought and overcome rather than limitations to be accepted and obeyed.

This means essentially an intensified state effort at promoting the infra-structure or the institutional facilities for national health care. At present there is only one hospital bed available for every 2,000 population. The doctor-population ratio stands at 1: 5,000, while the number of nurses is less than 70,000 for a country with a population of over 560 million. It has to be recognised that a modern drug or its formulations are not something which the people may buy and use as they would a cake of soap. A whole science, namely, medical science and a number of highly skilled categories of the medical profession are involved in the prescription and administration of drugs or pharmaceuticals. This means that the coverage of the population by modern medicine is and cannot be a function simply of the expansion of the production of pharmaceuticals by the firms engaged in this industry, or even the development of new drugs in the pharmaceutical laboratories of the world. While the pharmaceutical industry itself must at all times be geared to the meeting of the emerging needs of the people for its products, its growth is integrally related to and dependent on the expansion of the infra-structure of health care.

Need is Great

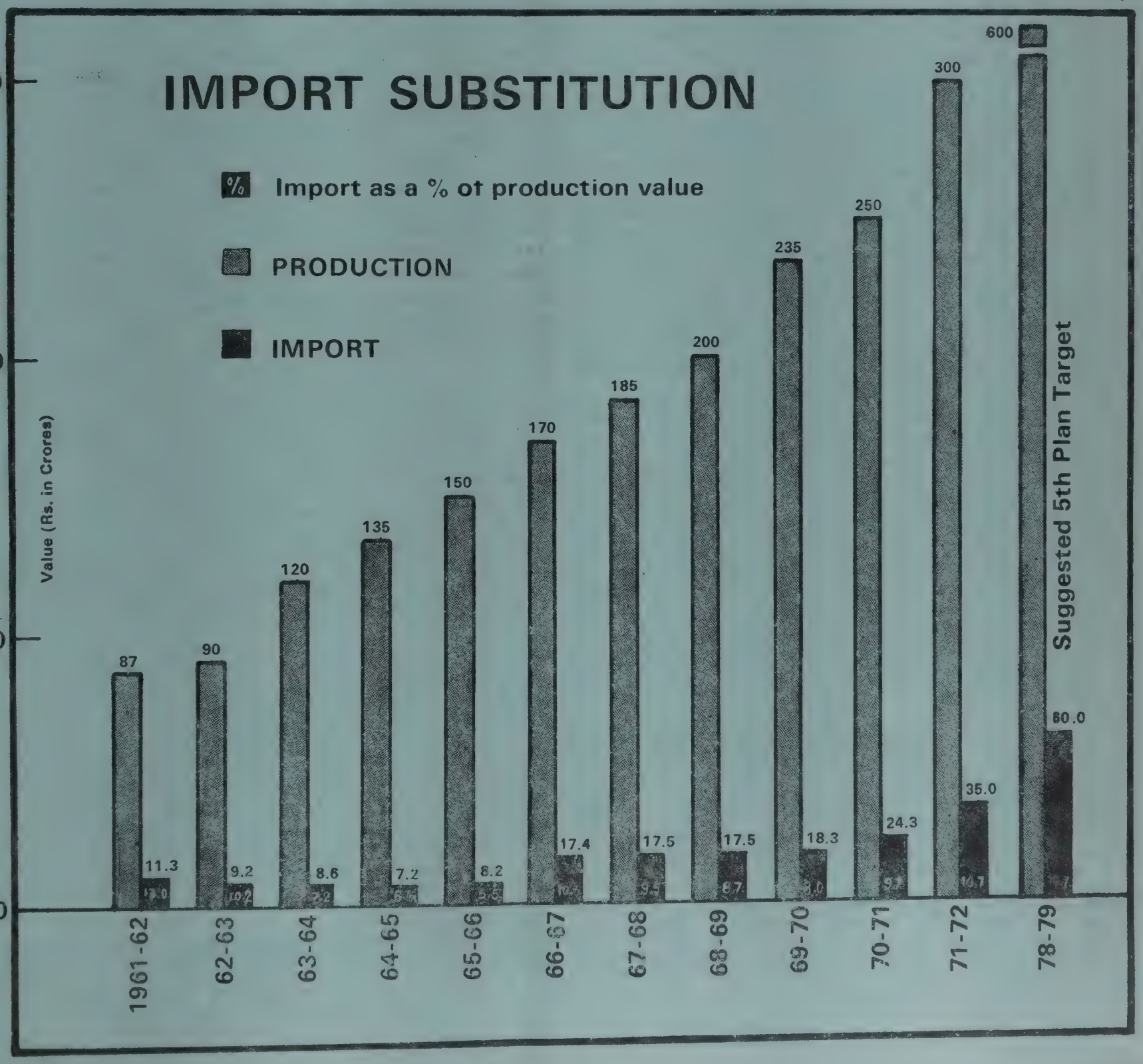
The government of India has intentions of taking health care deeply and widely into the countryside during the period of the fifth Plan commencing in April, 1974. It would be no exaggeration to name this operation as 'medicines for the millions'. The pharmaceutical industry in this country, obviously, has a great role to play in giving substance to this concept of medicines for the millions. Currently, the per capita consumption of drugs and pharmaceuticals in this country is Rs 5 per annum as compared to Rs 193 in the USA, Rs 168 in France, Rs 146 in West Germany Rs 117 in Japan, Rs 97 in Italy and Rs 42 in the UK. Provided the government has even moderate success in expanding hospital facilities, adding to the number of dispensaries and primary health centres, organising mobile health services for the rural areas and generally making people a little more health con-

scious than they are at present, the national consumption, even if not the per capita consumption of drugs and pharmaceuticals might easily double itself over the fifth Plan period.

According to the projections made for the fifth Plan, the pharmaceutical industry is expected to more than double its scale of operations. As against a capital investment of Rs. 225 crores at present, it is being called upon to invest an additional Rs. 250 crores over the five-year period. The value of the pharmaceutical formulations manufactured at present is of the order of Rs. 325 crores. This figure is expected to go up to Rs 700 crores by the end of the fifth Plan. The value of basic manufacture, it is proposed, should rise even more sharply from about Rs 50 crores now to thrice that amount. There is also to be a three fold expansion in exports at their current level of about Rs. 10 crores. In line with these objectives the industry will be required to increase its expenditure on research and development from Rs. 5 crores at present to Rs. 35 crores by the end of the fifth Plan at which point this expenditure would come to about five per cent of the total production of the industry. This scale of development would imply that the industry should grow at least as much in the next five years as it has during the last 25. If this Plan is not to remain on paper, an effort of immense dedication and competence will certainly have to be made both by the government and the industry acting in a constructive and co-operative relationship.

The first and foremost imperative for the success of the pharmaceutical programme for the fifth Plan is that a climate of confidence will have to be recreated. It would be no exaggeration to say that confidence now is at a low ebb. This no doubt has a lot to do with current political attitudes towards industry in general. Business is suspect and profits are even more suspect. Large enterprises are distrusted and foreign firms are distrusted even more. Thanks to the peculiar situation of the pharmaceutical industry, it has become vulnerable to all these prejudices to an emphatic extent.

The unsettling effect of these pres



sures has been aggravated by the recent developments relating to government intervention in the price structure of drugs and pharmaceuticals. Even as the industry has been arguing about but adjusting itself to, the Drugs (Prices Control) Order, 1970, the Damocles' sword of another drastic reorganisation of its price structure has been hung over it. Simultaneously, there is increasing clamour for curbs being placed on the further growth of firms with foreign equity or affiliations to large business houses.

By Courtesy S.T.C.

Although the canalisation of the import of bulk drugs through the State Trading Corporation has been in vogue for some time now, it was only after the issue of the Drugs (Prices Control) Order, 1970, that this procedure became significant. Since then the government has been enlarging the list of canalised items from time to time. As against 15 items of the value of Rs 6.30 crores in 1970-71, 18 items of the value of Rs 8.90 crores were brought under the scheme in 1971-72 and the coverage further increased in the subsequent year to 25 items of the estimated value of Rs 10.50 crores. The latest import policy, which covers the licensing period April 1973-March 1974, has added 12 more items to the list, and it is estimated that the total value of canalised items will amount to about Rs 15 crores during this period. It may be added that the total import of bulk drugs, including both canalised items and others, had amounted to Rs 17 crores during the year 1970-71.

It is obvious that this is not a context in which the industry could be expected to commit itself to large-scale expansion. If the government is serious about the fifth Plan targets for this industry, it should surely not fail to recognise this basic truth. It does not mean that the industry has no obligations of its own in this respect. It is clearly necessary that it should pledge itself in no uncertain terms to co-operate fully with the government in expanding or diversifying production in accordance with the projections for the fifth Plan. It is also necessary that the industry should appreciate the genuine national demand that the business of the manufacture of drugs and pharmaceuticals should steadily become more and more an Indian enterprise starting perhaps with an advance towards equal partnership between the Indian interests, and the foreign collaborators. The industry should accept, again, the discipline of government examination, regulation and supervision of its pricing policies, procedures and decisions.

Happily, there are indications that the responsible leaders of the industry or their representative organisations do appreciate their social responsibilities in this matter and are prepared to work closely with the government for the good of the community. Their willingness and ability to do so will greatly improve if the government for its part gives weight to two clear national priorities. The first is that the rapid growth of the industry on the lines of the perspective planning contemplated for it should be attempted and achieved through all the resources and instruments which are at the disposal of the government and the industry. This should mean that optimum use should be made of the demonstarted dynamism of the organised sector of the industry including those of its components with varying degrees of foreign interest in their capital structures. No prejudice against foreign capital or enterprise as such or against large business houses as such should be allowed to come in the way of the programmed growth of the industry being secured with the aid of the more efficient instruments at its disposal.

In the case of some industries it seems to be the government's policy to whittle down or perhaps even eliminate foreign presence, participation or collaboration. Such an attitude will be completely out of place with regard to the pharmaceutical industry. Any policy for this industry which aims at regulating the foreign presence or participation in it should be so designed as to reconcile genuine national interests with the specific purpose of not only retaining but encouraging the dynamic elements in this industry, which have done so much to promote its growth in the past and which could do so much more by way of contributing to its continuing growth in the future.

Secondly, the government should deal with the price issue in as scientific and objective a manner as possible, eschewing political pressures and popular prejudices. It has to be recognised that this industry must necessarily earn sufficient profits to be able to finance its programmed growth as well as the promotion of research and development operations on which both the government and the country are placing increasing emphasis. While it is certainly important that the public should be able to buy its medicines at as low prices as possible, it is even more important that the public should have an assurance that supplies of life-saving drugs or other essential medicines are available in conformity with the burgeoning requirements of a spreading health care programme geared to an increasing population.

Firms with varying degrees of foreign ownership or control, as we have seen, have played a dynamic role in the establishment and expansion of the pharmaceutical industry in our country. Although they have their critics or detractors, it has never been seriously disputed that they have been, by and large co-operating with the government and complying with its policies and directives in matters which are relevant to the healthy growth of an economically viable and socially responsible pharmaceutical industry. Nevertheless, their presence in this industry does raise certain important issues of public policy.

The problem here, however, is not peculiar to the pharmaceutical industry. It is part of our country's philosophy of economic development or industrialisa-

Government and Foreign Firms

The government has been taking several measures to regulate the share of foreign firms in the pharmaceutical industry. The Indian sector of the industry is being accorded preferential treatment in the approval of manufacturing schemes. The manufacture of an increasing number of bulk drugs is proposed to be taken up through public sector projects. Industrial licences are generally not issued to foreign firms for producing formulations except those of a very essential nature; industrial licences are also not issued where the proposed formulation activity is not linked to production of bulk drugs. As and when foreign firms are allowed expansion of their manufacturing activities, the occasion is availed of by government to secure a progressive reduction of foreign equity participation with a corresponding increase of Indian shareholdings. These firms are also required to accept appropriate export obligations as a condition precedent to expansion in capacity for taking up new activity. Finally, they are also asked to supply a certain percentage of their production to non-associated formulators, of which half should be supplied to small-scale units, whenever licences are issued to them for the manufacture of bulk drugs.

tion, even as it is part of the thinking in other developing countries, that the ownership, control and management of industrial, commercial or financial undertakings should, as far as possible, be in the hands of nationals. Wherever, for historical or other reasons, there is a large foreign presence, the aim therefore has been to promote progressive Indianisation in these areas. In the case of the pharmaceutical industry, this national urge towards Indianisation is particularly strong for the excellent reason that this industry is engaged in the production of goods which are essential to the health and well-being of the community. It is however necessary for the government or public opinion to beware of a purely sentimental approach to this issue.

A Dynamic Element

As has been emphasised earlier, the foreign firms in the pharmaceutical industry are particularly well-placed to play a dynamic role in the growth of the industry, thanks to their access to the considerable technical resources of their parent companies and their carefully nurtured standards of business management. These advantages of foreign collaboration should therefore be retained for the pharmaceutical industry to the greatest possible extent consistent with our broad objective of promoting its Indianisation over a period Here, as elsewhere, the problem is really one of balancing conflicting considerations at the level of optimum national advantage.

In February, 1972, the ministry of Finance prescribed certain guidelines for the reduction of foreign holdings in foreign majority companies as a class. It was then announced that companies with foreign holdings exceeding 75 per cent should raise 40 per cent of the estimated cost of any proposed expansion by issue of additional equity capital (inclusive of premium, if any) to Indians only. The corresponding proportions for companies with foreign holdings exceeding 60 per cent but not exceeding 75 per cent and those with foreign holdings exceeding 50 per cent but not exceeding 60 per cent were to be 33⅓ per cent and 25 per cent respectively. The idea here was to bring about a reduction in the foreign share in the equity of a company whenever that company sought government's approval for a scheme of expansion.

In practice, even before the Finance ministry had thus spelt out the government's decision in this matter, it was the general policy of various ministries of the government to bring about a dilution of foreign equity whenever occasion arose or an opportunity offered itself. This technique has been applied to the pharmaceutical industry over the years with considerable success. The results are indicated below.

Firms	Reduction effected in percentage of equity	Year
Sandoz India	100 to 60	1964
Boots	100 to 75	1965
Pfizer	100 to 75	1966
Glaxo	100 to 75	1968
Reckitt & Colman	100 to 70	1970
Wander	55 to 40 direct 9 indirect	1968
Smith & Nephew	53 to 50	1971

Subsequent to the issue of the Finance ministry's "guidelines" of February, 1972, there has been further progress in this direction as shown below:

Alkali & Chemicals	76.3 to 60
E. Merck	75 to 60
Abbott Laboratories	100 to 75
Associated Capsules	42.8 to 35

The broad picture as it now appears is that out of the 25 firms in the organised sector with a majority foreign investment of more than 50 per cent, only three are fully foreign-owned, a fourth has foreign equity of 99 per cent, a fifth of 89 per cent and a sixth of 83.33 per cent. A seventh firm has an equity of 80 per cent. Those with an equity of 70 per cent or more but less than 80 per cent number seven. Firms with an equity of less than 70 per cent but more than 50 per cent are eleven. Quite obviously the government's policy of diluting foreign equity in pharmaceutical firms has still some way to go.

There can, of course, be no objection in principle to this policy but it is important that it should be pursued in such a manner as to enlist the co-operation of this important sector of the pharmaceutical industry for the massive expansion programme which is being contemplated in the fifth Plan. Here much profitable ground would be immediately gained if the government could make its ultimate intentions firm and clear.

Firms which are 100 per cent foreign-owned or with percentages of foreign investment in equity as high as 80 per cent or over could reasonably be asked to take steps as early as possible to invite or secure substantial Indian participation in equity if they are keen on taking part in the further expansion of the industry. Instead of simply waiting for these firms to approach it with expansion schemes if they choose to do so, the ministry of Petroleum and Chemicals may well take the initiative in finding out whether these firms are interested in developing their operations further in accordance with the fifth Plan projections for the industry and

The Example of Japan

Japan's industrial strength and capacity was almost totally destroyed by the War. Nevertheless she has succeeded in her industrial reconstruction, and it is a well-known fact that technological and financial co-operation with foreign countries played a decisive role. This co-operation was implemented via patent and know-how licences, and the total number of license agreements illustrate the scope of co-operation :

In the field of chemical industry, of which the pharmaceutical industry is a branch, the following number of patent licences were taken by Japanese firms in the years 1949 to 1967 :

1949 to 1954=83; 1955 to 1959=137; 1960 to 1964=396; 1965 to 1967=354. The total number is 970 licences.

Of great interest is the development of the gross national product of Japan during the corresponding period : In 1950 the GNP was about 5000 billion yens, 1955 ca. 8000, 1960 ca. 15,000, 1965 ca. 33,000, and in 1968 ca. 63,000 billion yens. This development of the GNP is parallel to the growth of the industry, and the latter—as the Japanese example shows—parallel to the transfer of technology from foreign countries.

The development of exports also illustrates the favourable effect of the introduction of foreign technology : The total exports of Japan in the year 1950 totalled ca. 1 billion US $, in 1960 ca. 3. 4 billion US $, in 1965 ca. 9 billion and 1970 ca. 15.3 billion US $.

Specific figures for the pharmaceutical field indicate the same development : In 1964 Japan paid US $ 6.4 million for foreign pharmaceutical patent licence. In the same year, due to local manufacture and exports following from the foreign know-how available, Japan actually had foreign currency savings on drugs of $ 98.6 million ! Pharmaceutical production in the year 1956 amounted to $ 288 million, in 1965= $ 1,271 million, and it is estimated that in 1980 this figure will be an impressive $ 5,000 million !

In this context, however, it has to be stressed that the patent law in Japan did and does provide reasonable protection for pharmaceutical inventions, and no discrimination exists vis-a-vis foreign patentees. Thus, Japan has shown the necessity and importance of the protection of industrial property for international co-operation, for the transfer of know-how and also for the investment climate.

—Dr E. JUCKER

the government's declared policy on foreign equity.

Firms with foreign equity of less than 80 per cent but more than 50 per cent seem to call for a different approach. Since they have already invited and secured Indian participation in equity to a substantial extent in some cases and to some extent in others, they may be presumed to have shown sufficient interest in actively participating in the growth of a truly national pharmaceutical industry in this country. The government should promptly discuss with them the various directions in which they could develop or diversify their manufacturing activities so that identifiable gaps in the production pattern of the industry could be filled during the fifth Plan period.

Needed Dialogue

As part of these constructive consultations, the government could explore with these firms ways and means of the latter stepping up the Indian share in capital and management. It is desirable that, while engaging itself in these negotiations, the government should avoid giving an impression that it is out to get its pound of flesh. Once it is recognised that this country's interest lies in retaining and encouraging the constructive participation or collaboration of foreign firms in the production of basic drugs, promotion of research and development activities in the industry and the induction of the most advantageous technology that may be available anywhere in the world for the manufacture of new products, it follows that the government should give reasonable recognition to the normal desire of the foreign collaborator to have an effective voice in the management of the undertaking and a sufficient stake in its earnings.

There is also a need for the government paying respect to the principle of stability in its dealings with foreign firms in this respect. This should mean that, once an agreement has been negotiated with a firm with regard to a reduction in its equity, that agreement should be allowed to be in force for a sufficient number of years and not frequently brought under review with or without provocation. The foreign collaborator is entitled to do some long-term planning with regard to his investment or manufacturing operations and it should be possible for the government to meet his legitimate requirements in this regard by adopting a reasonably stable policy with regard to permissible or negotiated levels of foreign equity.

As for firms with foreign equity of 50 per cent or less, there is really no sound reason why the government should go out of its way to exert undue pressure on them to bring down their share of the equity still further. Provided the government follows a constructive policy with regard to foreign firms in the other categories as recommended earlier, it should be able to bring about a substantial degree of Indianisation of the industry in time for the big tasks ahead of it in the fifth Plan or beyond. Already, even in the case of firms with high percentages of foreign equity, the process of Indianisation of technical, managerial or other staff at senior levels or at levels even closer to the policy making at the top, has been proceeding apace. If in addition to this a general dilution of foreign equity in firms, where the percentages of this equity are relatively high, is brought about through a policy of consultation and persuasion as recommended above, there would be little left to be gained for the nation through the government going in for a dogmatic assault on foreign equity as such on the simple principle of hitting this equity wherever it is found.

It would be immediately profitable for this country to fill the gaps in its production of sophisticated drugs by drawing on foreign know-how, while, over a longer period, and, indeed, for the foreseeable future, the R &D activities of the Indian industry are bound to be on a modest scale, both absolutely and in comparison with the vast dimensions of like operations carried on in countries which are world leaders in the manufacture of drugs and pharmaceuticals.

It follows that there is little virtue in the government insisting dogmatically on the percentage of foreign equity being brought down in every case to less than 50 per cent within a specified period. On the contrary, once it is recognised that the nation's pharmaceutical industry stands to benefit through collaborating with international firms, it should be the government's concern to ensure that these firms have sufficient stake in the growth or prosperity of the Indian undertakings. In any case, it is essential that negotiations between the government and the foreign firms concerned should invariably proceed on the basis that once a formula is evolved and accepted by both sides, the issue should not be reopened or otherwise debated for a reasonable period.

The need for positive purpose, clarity or stability is also apparent in the case of the government's handling of the issue of the prices of drugs and formulations or profits in the pharmaceutical industry. It is undoubtedly important for the community that the public should be enabled to buy medicines at as low prices as possible, but it is also equally important for the community that the pharmaceutical industry should be assured of a climate of operations in which it could expand investment and production, ensure adequate supplies of essential medi-

In the USSR

During the last few years, close contacts have been established between the Soviet Union and the capitalistic west European countries in general and the chemical and pharmaceutical industry in particular. The purpose of these contacts was the establishment of a close collaboration, especially in the chemical and pharmaceutical field. Bilateral treaties and inter-industrial contracts have been signed and scientific, technological and economic co-operation between the Soviet Union and other east European socialist countries with the western part of the world is growing fast. . .

In the Soviet Union, the system for promotion of drugs is minimal and pharmaceutical research is conducted not by individual drug firms, but by government-sponsored institutes..... A careful analysis of the drugs available in the Soviet Union clearly shows that pharmaceuticals available to the Russian public are, according to our standards, quite orthodox and, to some extent, old-fashioned. In addition, Soviet pharmaceuticals do not seem to have reached the required standard, this often being expressed in various official or semi-official circles: "Our industry does not always produce medicaments of good quality. And so it happened for instance that, from the overall number of pharmaceuticals which were sent this year for evaluation to the central pharmacological research institute, more than half were rejected, mainly ampoules....."

In addition to these severe problems, the Soviet press regularly reports complaints of shortages of drugs and medical supplies and, probably, as a consequence of this, the Prime Minister of the Soviet Union, Mr Kosygin, has recently postulated : "In certain cases, it is also for us more advantageous to buy licences from abroad than to aim at solving the problems ourselves. Acquisition of patent rights from foreign enterprises will lead in the new five years' plan to savings of hundreds of millions of roubles which can be used for research activities in certain other fields." As a consequence of this policy, the number of patent and know-how licences obtained by the Soviet Union and by other east European socialist countries from capitalist enterprises in the west grows steadily every year.....At the same time, the Soviet Union has recently improved its patent system, giving foreigners from all parts of the world far-reaching monopoly rights. On the occasion of my recent visits in the Soviet Union, I have been informed that a new revision of the patent law is underway, again improving and fortifying the system.

—Dr E. JUCKER

cines for the community and in the process carry out important obligations such as promotion of research and development, maintenance of the highest standards of quality control, growth of exports and progressive import substitution.

It would have been better, perhaps, had another enquiry into the drug price structure not been ordered so soon after the Drugs (Prices Control) Order, 1970. Now that the Bureau of Industrial Costs and Prices has submitted its recommendations to the government, the best course will be for the ministry of Petroleum and Chemicals to have detailed consultations with the industry in the light of the prospective financial requirements of the expansion programme contemplated in the fifth Plan. As in the case of foreign equity, here too the government should aim at stabilising its policy for a reasonable period in terms of clear decisions taken ahead, if possible, of the commencement of the Plan, and in any case as early as possible in the first year of the Plan.

Don't Play Politics

In determining its price policy for the industry, the government should resist the temptation to take a political view of profits in the industry. Provided the prices, *per se*, seem to be fair and reasonable, the government should not concern itself too much with the level of profits that the industry as a whole or individual units of it may be making. Since the full report of the Bureau of Industrial Costs and Prices on the pharmaceutical industry is not yet available for public discussion, it would not be fair to criticise its recommendations as reported in the press. Nor is it necessary at this stage to do so, for it is clear beyond dispute that, if the industry is to be in a position to finance the high rate of growth envisaged for it in the fifth Plan, its profitability should not be drastically curtailed.

While it is desirable that retained earnings should continue toplay a substantial part in financing the further expansion of the industry, pharmaceutical firms will necessarily have to rely more on new capital and loans, both medium-term and long-term, for finding all the funds that may be needed for doubling its total investment over the next five years. Should the industry be now forced into a straitjacket of price or profit control on dogmatic or political considerations, it is doubtful that it could mobilise development finance on the scale required. It should be obvious to the government that the attitudes, which seem to have been colouring its approach in the last three or four years towards prices or profits in this industry, have become completely out of date in the context of the growth targets set for the industry in the fifth Plan.

A price policy deliberately intended to squeeze profits in this industry would be particularly untenable because several other factors, independent of direct control of prices by the government, are already making serious inroads into its profitability. It has been estimated that the consumption of raw materials, stores and spares accounts for a little less than 50 per cent in the cost structure of the pharmaceutical industry and employees' emoluments and welfare expenses for a little under 20 per cent. Both these items of expenditure are continuously being subjected to inflationary pressures and are therefore steadily rising from year to year.

To make matters worse, the import of some bulk drugs has been canalised through the State Trading Corporation and the government has announced its intention of adding to the list of canalised items. Even during the short period for which the scheme has been operating, it has become evident that the State Trading Corporation is an inefficient and expensive procurer and distributor. It is significant that the small-scale sector in the pharmaceutical industry has been the loudest in complaining of the high prices charged by the State Trading Corporation or protesting against the shortages in supplies or delays in deliveries with regard to the imports entrusted to the State Trading agency. The rise in the costs of raw materials or employees' emoluments is likely to erode continuously the industry's profits in the coming years. The emphasis on import substitution again would be adding steadily to costs. Moreover, as the government's health care programmes extent to the villages, the industry will have to supply an increasing part of its production directly to government or semi-government agencies at negotiated prices. For all these reasons it is unlikely that excessive profits will be a serious problem for the community or the government where the pharmaceutical industry is concerned.

The government therefore would be well-advised to put its resources and energies to better use than policing profits in the industry. The first and foremost, objective of government policy should be

Safety First

The US Food and Drug Administration (FDA) is reputed to have about the strictest standards for investigating and passing new drugs for public sale or use. The obverse of this creditable feature of this agency is that its procedures are time-consuming. There is a feeling in the pharmaceutical industry in the United States and outside that, because of the complexity or intensity of the regulation exercised by the FDA, the rate of introduction of new medicines has been slowing down. Compared with the heady days of the steroid explosion of the 1950s, when a peak was reached with 63 new drugs in 1959, only 14 wholly new drug entities—eight antibiotics, two steroids, two anticancer agents, a heroin antagonist and a muscle relaxant—were brought to the market place in 1971.

A Drug is Born

In western industry as a whole, eight employees per 1,000 have academic degrees. In the chemical industry, this figure is 48, but in the pharmaceutical industry, out of 1,000 employees 156 possess an academic degree. This corresponds to 15 per cent of all employees. These research people are employed in about 30 different disciplines of natural sciences, and I quote only a few thereof : chemistry, pharmacology, toxicology, physical chemistry, physics, immunology, embryology, endocrinology, etc, etc. The long route from a creative idea to a new medical product can be summarised in the following way :

The chemical division has to synthesise 5000 or more new compounds in order to have a chance to see one of these substances as a drug in therapy. All the 5000 or more compounds have to undergo preliminary pharmacological tests. At the same time, the few chemical substances which show pharmacological activity must be screened with respect to their toxic effects. Should the pharmacological and toxicological data be promising, a number of other biological tests has to be carried out before the galenic formulation and the clinical research can start. It takes usually 5-10 years to carry out the mentioned research operations and usually 7-8 or more years are required from the start of chemical research till the introduction of a new drug into therapy. The chances ef finding a new drug today are minimal and the following figures might illustrate this fact : In 1959, the entire pharmaceutical industry succeeded in introducing 63 new chemical substances into therapy. In the year 1969, there were only 11 new chemical substances which were introduced into therapy. The estimated cost for research which has to be spent today on a new drug prior to its introduction into the market is of the magnitude of 50-60 million dollars.

—DR E. JUCKER

to ensure that the output of essential drugs and medicines keeps rising in step with the requirements of the expanding health care services for a growing population. Thanks to the rapid growth of the industry, there had been no serious shortages of essential medicines in the past. It would be most unfortunate indeed if, in the name of controlling prices or profits for the benefit of the consumer the government were to interfere with the finances of the industry in such a manner as to discourage production and give rise to artificial shortages.

IV

The need for giving the highest priority to an increase in investment and production in this industry is all the greater because serious gaps may emerge otherwise between supply and demand in the case of many essential drugs or formulations. It is necessary, for instance, that the production of all the major antibiotics should be stepped up during the fifth Plan period. In the sulpha group, the production of long-acting sulpha drugs is still to be taken up. In spite of the increase which has been effected in the capacity for anti-TB drugs, it would still be necessary to step up production of PAS and its salts. The production of anti-diabetic drugs is being kept down because the raw material available for the production of insulin, mainly animal pancreas, is not available within the country in adequate quantities.

In the Vitamins group, the demand for Vitamin A is likely to outstrip supply unless measures are taken in time to encourage additional capacity. The country is now depending entirely on imports for its needs of Vitamin B6 and is also experiencing a shortage of Vitamin C since domestic production has to be supplemented by continuous imports. The manufacture of barbiturates has to be developed further both in volume and range. Enzymes and harmones, again, are in short supply and there is therefore scope for expanding the production of these items.

'Core' is Core

If these or other gaps in the production or availability of pharmaceuticals in this country are to be filled promptly and efficiently, the government should be prepared to encourage both the public sector and the private sector and not discriminate against the latter. Similarly, within the organised private sector itself, firms with foreign equity in varying percentages or which have affiliations with large business houses should not be made to labour under any handicap in undertaking the expansion of existing manufacturing units or initiating new projects. In its latest Statement on Industrial Policy, made earlier this year, the government has placed the pharmaceutical industry in the core sector. This should logically mean that neither the ministry of Petroleum and Chemicals nor any other ministry concerned would be justified in discriminating against pharmaceutical firms with foreign participation or firms connected with large bussiness houses. In practice, however, discrimination seems to persist. This is most unfortunate. The government's policy of including the pharmaceutical industry in the core sector ought to be honoured both in letter and spirit.

There is also the basic issue whether detailed industrial licensing should at all be applied to the further expansion of this industry. It has generally been the case in respect of various industries that industrial licensing, as it has been practised by the government, has neither ensured that licensed capacities actually come into being nor prevented so-called excess production or capacity being created without benefit of licensing. This twofold failure of the industrial licensing policy seems to have been conspicuous in the case of he pharmaceutical industry. The Tariff Commission's report on this industry includes detailed discussions of how and to what extent industrial licensing has gone awry in this case.

Indicative Planning

It would perhaps be a good idea to suspend industrial licensing in the case of this industry at least for the fifth Plan period. Instead of detailed licensing, some kind of indicative planning may be better suited to the objective of dynamic growth which this industry in particular must pursue in the interests of the nation in the years to come. It is suggested that the ministry of Petroleum and Chemicals should hold continuous consultations with the public sector units and representative organisations of the private sector with a view to enabling the industry to formulate its own programme of expansion and diversification in terms of definite projects or schemes drawn up by individual units.

The object of this exercise should be to enable the various manufacturing firms, whether in the public sector or the private, to undertake an expansion of production or diversification in the light of their respective readings of the market outlook. The ministry of Petroleum and Chemicals, however, could hold a watching brief to ensure that the industry does not fail to undertake investment or production to the necessary extent in the case of any essential drug. This approach will have the merit of encouraging competition in this industry in a way which is to the advantage of the community. This kind of indicative planning could stimulate more effectively not only competition in terms of price or quality but also in terms of research and development activities.

An added advantage—and this is a very important one indeed—is that delays in the implementation of expansion schemes or introduction of new drugs could be minimised. As it is, there is some necessary and unavoidable delay in the introduction of new drugs since the drug control administration has to satisfy itself, if necessary through clinical trials, that the new drug is safe in administration and capable of giving the results claimed for it in the conditions prevailing in our country. A part of this delay may no doubt be cut down by improving the machinery or procedures of the drug control administration but, recently, a

Making the Most of Capacity

In view of the steadily rising cost of the various materials which go into the manufacture or marketing of drugs and pharmaceuticals, it has become necessary to explore continuously means of effecting economies in the cost of production. In this context the pharmaceutical industry is under constant pressure to utilise installed capacities more fully, undertake R & D, reduce process costs and adopt the most advantageous technology available to it for new products.

The government announced in October, 1966, that industrial undertakings should be allowed to increase the production of articles, for which they were licensed or registered, by up to 25 per cent of the capacity so licensed or registered, without obtaining a licence provided (*a*) no additional plant and machinery is installed except minor balancing equipment procured indigenously and (*b*) no additional expenditure of foreign exchange is involved and the extra production does not occasion any additional demand for scarce raw materials.

Apart from this, the government decided early in 1972 that, in respect of certain industries, of which the pharmaceutical industry is one, additional production will be allowed to the extent of production obtainable by the maximum utilisation of their licensed or registered capacity. This meant that, where earlier licences or registration certificates had indicated capacities on single or double shift, the increased capacities would be endorsed up to three times in the case of single shift or one and a half times in the case of double shift. It was also provided that in respect of undertakings, which had commenced production before 1972, additional production would be allowed to the extent of a further 100 per cent of the licensed capacity. While these relaxations applied automatically to most of the Indian units, those controlled by larger industrial houses as well as firms controlled by foreign companies had to seek the approval of the task force set up by the ministry of Industrial Development. The last date for such application was December 31, 1972.

Diversification for the manufacture of new articles is also allowed to units not belonging to the larger industrial houses or foreign firms subject to the condition that the proposed diversification does not require imported equipment or imported raw materials.

result of the Drugs (Prices Control) Order, 1970.

The time-consuming procedures and involved negotiations occasioned by this Order are stated to have delayed the introduction of new drugs and in some cases even discouraged would-be manufacturers from submitting proposals. It would be worth inquiring how far industrial licensing procedures have been acting as a deterrent to the prompt introduction of new drugs in this country. In any case, a realistic and flexible approach on the part of the government towards the price issue and the suspension of industrial licensing in favour of indicative planning for the further growth of the industry could go a long way in ensuring to the people of this country prompt and adequate access to the fruits of research and development in the international pharmaceutical industry.

Future of R & D

At this point it would be relevant perhaps to discuss the future of R&D in the Indian pharmaceutical industry itself. While basic or innovative research is the very life-breath of advanced pharmaceutical industries, R&D activity in the Indian industry, as has been mentioned earlier, has been more modest in its motivation and aims. The foremost concern of leading pharmaceutical firms has been to ensure international standards of quality control for their production. Their expenditure on R&D has been directed largely towards this purpose. Secondly, the need for import substitution has imposed its own specific and special demands on R&D. The utilisation of indigenous raw materials and development of sources of supply of these materials have been among the practical preoccupations of pharmaceutical R&D operations in our country. Apart from this, an attempt has also been made to discover new drugs or formulations or improve upon existing drugs or formulations for the more effective treatment of tropical or other diseases peculiar to our country.

Most of the R&D activity in the industry in this country is confined to one unit in the public sector and a few large firms, both Indian and those with foreign participation, in the private sector. The amount spent at present on R&D by the industry as a whole is about Rs 5 crores. It is believed that this amount should be increased many times if R&D activity is to be promoted on a scale sufficient to sustain the projected growth of the industry in the fifth Plan period. A figure of Rs 35 crores has been mentioned as the target for expenditure by the industry on R & D in official projections for the fifth Plan.

Much of this increased expenditure will have to be devoted to R&D along the lines on which this work is now proceeding. If this country is to increase its exports from Rs 10 crores as at present to Rs 30 crores in another five years, it would be of the greatest importance for it to maintain and improve upon its reputation for quality control. The production of drugs of the highest quality for both domestic consumption and exports would thus continue to be an important objective of R&D in the future as well.

The industry, again, is expected to step up the value of basic manufacture from Rs 45 crores at present to Rs 150 crores during the fifth Plan period. This should call for a very large effort at import substitution and this again would make its own demands on R&D programmes. The success of import substitution would depend not only on the development of technically satisfactory domestic substitutes but also on establishing their production at economic prices so that the cost of drugs and formulations to the public may be kept at reasonable levels.

Import substitution, in other words, should be prevented from making undue inroads into the productivity in the industry. This consideration is of considerable importance because, in the matter of capital-output ratio, the pharmaceutical industry in this country already lags far behind the pharmaceutical industries in the USA, western Europe or Japan. It is therefore necessary that a good part of pharmaceutical R&D in this country should be directed towards improving the productivity of capital or reducing costs particularly on account of raw materials.

Nevertheless, there is a growing demand in the country that the pharmaceutical firms should not continue to be heavily dependent on research and development abroad for new drugs and that they should

What Price Breakthrough?

It has been a firm experience of the pharmaceutical industry the world over that being first with an important drug always pays off big. It has been said, for instance, that no one really ever caught up with Hoffmann-LaRoche's Librium in the tranquillizer field.

And thereby hangs a tale.

Roche, based on Basle in Switzerland, is probably the biggest pharmaceutical company in the world and, in the manufacture of ethical drugs, almost certainly the biggest. The current turnover of the company, world-wide, is reputed to be of the order of $ 300 million higher than its nearest rival, Merck, of the United States. Its growth, especially since 1965, when it had 19,000 employees, has been quite remarkable. It now controls more than 60 companies in some 30 countries and employs in all 33,400 men. Its proud boast is that it spends between 12 and 16 per cent of its income on research. No actual figures are available either for turnover or other financial aspects of the company since it is its policy to keep a low profile in these matters. It is known, however, that another international pharmaceutical giant, also based in Switzerland, viz., the Ciba-Geigy group, spends over $ 100 million a year on R & D, mostly on pharmaceuticals. In contrast, Glaxo, Britain's largest drug company (which, however, is much smaller than any of the three leading Swiss companies) spends around $ 15 million which however would be equal to about three times the total R & D expenditure of the entire Indian pharmaceutical industry.

Much of the expansion of Roche has taken place since its breakthrough in the field of tranquillizers with the drug Librium, which was followed by another drug Valium. A third drug, Nobrium, which might eventually supercede the other two, was put on the market later also by Roche, who introduced, in addition, the sleeping pill, Mogadon. In Britain, Roche is said to be selling the National Health Service at least £7 million worth of Librium and Valium a year, which represents about 99 per cent of the British market for these drugs which have the unique property of doing their tranquillizing work in the brain itself. Incidentally, Roche's share of the total British pharmaceutical market is estimated at more than seven per cent.

In 1971, the British government referred to its Monopolies Commission the prices charged by Roche for Librium and Valium. It was then suggested that, while the selling price of these drugs to the chemists was £10 per one thousand pills, the manufacturing cost was probably only £1.70. Some figures published in Canada a year earlier were reported to have placed the manufacturing cost to Roche at £ 35 a kilogram as against a selling price of £4,870 a kilogram.

The Monopolies Commission submitted its report earlier this month, holding that the company should drastically cut prices and pay back large sums to the National Health Service. This finding has been accepted by the British government. The Swiss company was criticised in the Report principally on the ground that it had been charging high "transfer prices" from its British subsidiary and thereby had transferred to itself £ 19 millions for materials over the seven years from 1966 to 1972. Roche had argued that it needed to make an extra research contribution from the UK because UK prices were below world levels. This, it contended, had to be done through enhanced transfer prices. The Monopolies Commission still considered the transfer prices to be excessive, but accepted, along with most authorities, that a boosted profit was to some extent necessary in the drug industry to bear the high risk of innovation. Sir Keith Joseph, Secretary for Social Services, concurring, stated in the House of Commons that "we have been worried that in protecting the public we do not so compress profits in the industry that innovative capacity is damaged".

undertake basic or innovative research in their laboratories. This demand, in its cruder forms, overlooks the fact that basic or innovative research on an adequate scale is possible only for firms of international dimensions in terms of investment, scale of production and access to markets.

It has been noted that the pharmaceutical industry in the United States spends on R &D at the rate of Rs 600 crores per year or at about double the volume of the entire production of the pharmaceutical industry in our country. In the case of the pharmaceutical industry in Switzerland, the expenditure on R &D works out to Rs 250 crores per year or about the entire investment in the Indian pharmaceutical industry. The western pharmaceutical industry on the whole spends some 10 to 12 per cent of its pharmaceutical turnover on research.

Realistic View

The Indian pharmaceutical industry, however, spends less than two per cent of its turnover for this purpose. Since most of this expenditure has to be incurred on objectives other than basic or innovative research, the Indian industry, naturally, has not been in a position to attempt and has not been attempting anything very considerable in terms of innovative research so far. It would surely be impractical to expect this situation to be transformed immediately or within a short period or in fact until the pharmaceutical industry in this country has grown to many times its present proportions in terms of resources.

Nevertheless, there is some justification for the argument that a start must be made, in however small a way, towards setting up facilities for basic or innovative research. A very small beginning, in fact, has already been made in this direction and there is no reason why some more ground should not be attempted to be covered in this area. Since the resources which the Indian pharmaceutical industry itself could contribute towards this assignment are bound to be limited for some time to come, it follows that the government should co-operate with the industry by following an enlightened policy with regard to the procurement of technological know-how from pharmaceutical laboratories abroad for basic or innovative research programmes in our country. Any academic approach to this question would be self-defeating. It is to be recognised that the odds against the successful introduction of a new drug into therapy is 4,000:1 or even higher. It would end up in a national waste of resources, therefore if adventurist ideas are encouraged in this field.

The broad conclusion then must be that the pharmaceutical industry in this country should not be subjected to uniformed political pressure in the matter of organising or expanding its Research and Development activities. It should have sufficient freedom for taking a technical, professional and commercial view of priorities in an immediately utilitarian context as well as the goals it must set for itself in the direction of basic or innovative research.

The true national objective for the people and the government of this country must be to ensure that the pharmaceutical industry develops fast in a healthy manner so that the concept of 'medicines for the millions' becomes easier to achieve through the health care programmes contemplated for the fifth Plan. Questions of secondary importance should not therefore be allowed to confuse issues of prime significance. It is clear that the pharmaceutical industry should grow rapidly. It is equally obvious that it cannot do so unless it is able to function in a climate of confidence and stabilised public or governmental attitudes.

This does not mean at all that the pharmaceutical firms, whether individually or collectively, are entitled to demand that they should be allowed to function on their terms. The foregoing discussion has made it clear that the industry and its constituent units must accept strict social disciplines with regard to a progressive advance in the Indian character and composition of the industry and an industry-wise commitment to make drugs and pharmaceuticals available for the people in adequate quantities and at reasonable prices. This social discipline must necessarily be enforced in part by government intervention in or regulation of the affairs of the industry. This intervention however should always be constructive and creative so that the industry may continue to grow in a dynamic way and the nation have the assurance that health care would become a reality for the millions.

Industry Highlights

The pharmaceutical industry has been growing at an average rate of about 15 per cent per year. In the fifth Plan the industry is expected to more than double its scale of operations. This would mean that its growth during this five-year period should average at 20 per cent per year. The relevant data follows :

Highlights	Current	Fifth plan target
	(In crores of rupees)	
Capital investment	225	475
Value of formulations	325	700
Value of basic manufacture	45	150
R & D expenditure	5	35
Exports	10	30

On the World Map

The Indian drug industry having established a reputation for manufacturing drugs up to international standards, even advanced countries of the world are interested in getting formulations manufactured in our country and exporting them to third countries. International companies functioning in India are in a particularly advantageous position to undertake such transactions. Some notable advances have already been made in this field by firms in this category. In addition, the Indian industry has been able to export formulations to a number of countries, both developing and developed. The USSR, for instance, has made some substantial bulk purchases of this kind.

The export of finished formulations has jumped from Rs 1.2 crores in 1967 to Rs 7.2 crores in 1971. The share of these exports in the total exports of drugs and pharmaceuticals has correspondingly increased from 33 per cent to 74 per cent in this period. In contrast, the export of basic drugs has been rising rather slowly. The value of these exports was Rs 74 lakhs in 1966-67 and it had gone up to only Rs 1.65 crores by 1970-71. The share of basic drugs in total pharmaceutical exports has declined from 19 per cent to 17 per cent.

An important feature of the export trade in pharmaceuticals is that, while there are 1000 registered large-scale units in the industry, 50 firms out of them account for 62 per cent of the total exports of pharmaceutical products. In the small-scale sector, where there are 2,300 registered units, only 14 participate in the export trade and they account for eight per cent of the total exports of the industry. There are eight merchant exporters in the trade and their contribution amounts to seven per cent of the total.

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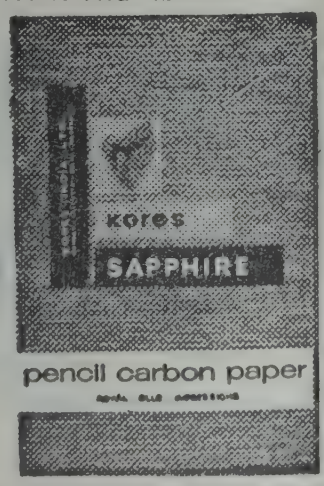
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MOVING FINGER

The prime minister

seems to be getting religion in a big way. On Wednesday last week she visited the Ramlila grounds where 1,500 scholars from various parts of the country had gathered for the Akhil Bharat Veda Sammelan which had begun on April 4. Besides listening to the chanting of the Vedas, Mrs Gandhi offered prayers to the idols of Rama, Sita, Lakshmana and Hanuman which had been specially decorated for Rama Navami. She received *prasad* and temple honours.

Later in the morning Mrs Gandhi went to the Ajmal Khan park in another part of the city to witness the installation ceremony of the four Vedas on the occasion of the Vishal Spiritual, Cultural and National Conference. Here she did not merely listen; she also spoke. Addressing the conference the prime minister pointed out that the essential message of the Vedas was truth, justice and the unity of mankind. She did not fail to point out that not everybody was able to appreciate the true spirit of the Vedas since there were some people who said that the Vedas should not be taught to women or depressed classes. One may add perhaps that these misinformed people are ignorant in other ways too. For instance, thay may not have realised that women have votes and so have the depressed classes.

The prime minister's religious peregrinations for the day did not end at Ajmal Khan park. She also inaugurated the fourth centenary celebrations of Tulsi Das's *Ramacharita Manas* and noted that the book had been and continued to be a source of inspiration to poets, dramatists and writers. She did not say, however, that the government had plans for distributing free copies of *Ramacharita Manas* to women or members of the depressed classes, or make it compulsory reading for these people.

Two days later the prime minister was in Hardwar. Although she spent a good part of her time in the place on palavers with party workers which, I presume, was a purely secular exercise, she did not ignore the claims of Peter altogether. Press reports said that she paid a visit to the *ashram* of Mata Anandamayee and paid her respects to this holy woman. Mrs Gandhi's father, it will be recalled, also used to pay these visits.

Quite some time ago, the prime minister had gone to Tirupati. What claims to be an eye-witness account had it at the time that, when Mrs Gandhi stood in the sanctum sanctorum of the shrine, she seemed genuinely lost in adoration. Even as gods in the famous or popular temples of this country go, Lord Venkateswara of Tirupati is an extremely successful god. It need not be presumed, however, that Mrs Gandhi was only worshipping success.

Mrs Indira Gandhi, as a private person, is entitled to her religion or what she wants to make of it, but there is the unfortunate coincidence that the critics of her policies are now asserting more insistently than ever before that only god can save this country. Could it be that the prime minister herself believes that her party and her political career at least can be saved only by god?

Once the prime minis-

ter has proclaimed the virtue in Vedas, can a mere minister of state be prevented from discovering a world of wonders in Vedic rites? Prof. Sher Singh of the ministry of Food and Agriculture told newsmen in Rishikesh the other day that the traditional *yagna* for propitiating the rain god might not have been an empty ritual after all. According to the professor, the ashes of *kair* wood, which is burnt during a *havan*, helped to form clouds. I used to be taught in my elementary school that clouds were formed through the action of the sun's rays on ocean or other large water surfaces. I do not know what kind of geography is taught in elementary schools now or if any geography is taught at all. In any case, there will be money to be made in new text-books once Prof. Sher Singh's finding that clouds could be formed by burning *kair* wood is duly published in a government of India gazette. Meanwhile, his claim that he has the authority of meteorological experts for his somewhat quaint thesis tempts me to recall a quip by a meteorologist once well-known in New Delhi circles. On being twitted by an equally well-known surgeon on the unreliability of weather forecasts, this meteorologist retorted, so the report goes, that meteorologists were after all not unlike doctors or astrologers since the chances of success were 50 : 50 in all the three professions.

Assuming that Prof. Sher Singh is right and that he can indeed make clouds by burning *kair* wood, I would like to ask the learned professor how he proposes to get all the *kair* wood that this country needs must burn in order to make all the clouds that it must have. Professor Sher Singh, I am afraid, must do some very fast thinking because, if the raising of *kair* wood plantations is going to be the principal agricultural programme of the fifth Plan, he does not have much time to waste. Incidentally, can you grow *kair* wood without water? More important still, can you grow all that awful lot of *kair* wood that the country must burn to ensure to itself a satisfactory monsoon without, in the first instance, finding enough water to grow all that *kair* wood? Has Prof. Sher Singh worked out the arithmetic? *Kair* wood does not grow overnight. Assuming that Prof, Sher Singh has watered his *kair* wood for a period of years and has burnt it eventually and made his clouds in the skies, would it be yielding very much more water than he had spent in the process and, if so, how much more? The minister of state for Agriculture disclosed to the admiring newsmen that he had asked his meteorological experts to do some further research. I wonder whether he has got clearance from the minister for Science and Technology. Mr C. Subramaniam has lost so much of the industrial empire that once used to belong to his ministry. It would be a pity if inroads are to be made into the domain which he has managed to appropriate to himself after much hard bargaining with the prime minister's secretariat.

I have not written this

column for a long time and am too lazy to refer to the back files to find out exactly how long. There is no particular reason why I resume this column this week just as there was no particular reason why I broke off writing from the week I did. Friends or acquaintances have been asking me for some weeks now why the moving finger has stopped moving. My assurance that it just happened has not convinced them. There is surely no point in continuing to give occasion to possibly unwholesome speculation.

So here I am—once again.

VB

TRADE WINDS

LIC Business in 1972-73

LIFE INSURANCE Corporation of India has completed a business of Rs 2075 crores during the year 1972-73 as compared to Rs 1640 crores written during the previous year, registering an overall growth of over 26.5 per cent in new business. The business of LIC has doubled during the last three years, business in 1969-70 being Rs 1036 crores and in 1972-73 Rs 2075 crores. Announcing the new business of the LIC at a press conference recently in Bombay, Mr K. R. Puri, chairman, said that compared to 1971-72 business, the new business written by the Corporation represents an increase of 26.5 per cent. This is in spite of the fact that 1972-73 was a ycar when large tracts of the country suffered from droughts, power cut and general fall in industrial production. The growth during the last three years shows that, in the difficult year, there has been maximum increase over the previous years. In fact the net increase in 1972-73 is the highest since the Corporation was established.

Whereas it took the LIC 14 years to achieve the first 1000 crores of new business in 1969-70, the present achievement shows that just in three years the Corporation has doubled it. Referring to the new business written by the Corporation during the year, Mr Puri said that in the matter of ordinary new business the first 3 Zones are :

Western (Rs 442 crores)
Southern (Rs 437 crores)
Central (Rs 300 crores)

Divisionwise, Hyderabad (48.0 per cent) stands first, followed by Machhilipatnam (26.9 per cent) and Trivandrum (25.1 per cent) in percentage increase. Among the divisions, while Bombay has the maximum volume of business (Rs 277.04 crores) to its credit, Ahmedabad (Rs 130.51 crores) is a proud second, followed by Lucknow (Rs 121.07 crores) and Calcutta (120.56 crores).

Mr G. S. Agarwala, divisional manager of the northern zone of LIC, told newsmen that the northern zone with Rs 290 crore business, registered a 33 per cent increase over last year's Rs 218 crores. Of this, group insurance cover was to the tune of Rs 33.8 crores. Mr Agarwala said the zone had fixed a target of Rs 400 crores for 1973-74.

Korba Project

Prime minister, Mrs Indira Gandhi, laid the foundation stone recently of Rs 120 crores coal based fertilizer factory being set up at Korba by the Fertilizer Corporation of India. The project, involving a foreign exchange element of Rs 27 crores is expected to be completed in 42 months and will produce 900 tonnes of ammonia per day which would be converted into 1500 tonnes of urea daily. It would produce fertilizer worth Rs 35 crores annually. The entire coal requirement of the project would be met by the coal mines in nearby Surkachar where the National Coal Development Corporation has invested Rs 9 crores to build a production capacity of one million tonnes of coal per year. The coal would be carried to the factory by conveyor belt system.

Coffee Agreement

The world's coffee producers and consumers have approved a two-yeai extension to the 1968 International Coffee Agreement (ICA) beyond is September 30 expiry date in modified form. The decision to extend the agreement was taken without a vote in the final stages of a three day meeting of the 62 nation International Coffee Council. But the council agreed that about 30 of the ICA's articles governing export quotas, price stabilisation mechanisms and export-import controls were no longer relevant to the current supply-demand situation in coffee and decided to eliminate them from the extended text. The council's decision means that from October the world coffee market will be free from artificial restraints for the first time in 10 years and that the International Coffee Organisation (ICO) which administered the agreement's economic provision will be left as an information centre and as a forum to enable the re-negotiation of a new agreement to take place at a later date.

Tobacco Excise Tariff Committee

The Committee appointed by the union government to examine the present tobacco excise tariff in all its aspects has issued a detailed questionnaire. This is designed to elicit information and opinion from all parties or persons likely to be interested in the various aspects of the matter to be examined by the Committee. The Committee has been asked to make a comprehensive review of the excise tariff on tobacco in order to have a judicious and rational tariff structure which can be administered effectively, efficiently and economically through simplified practical procedures. Those wishing to express their views an these matters can obtain a copy of the questionnaire from the Committee's office in Jeewan Deep Building, Parliament Street, New Delhi.

Export of Handtools

The exports of Indian handtools and small tools to world markets during the first ten months of 1972-73 rose to Rs 6.53 crores as against Rs 4.83 crores during the same period in the preceding year. During 1971-72 India's export value of hand, small and cutting tools was estimated at Rs 6.04 crores as compared to Rs 4.38 crores in 1970-71 and only Rs 2.66 crores in 1969-70. Among the wide variety of handtools and small tools supplied during the year, spanners constituted the foremost category. The value of export of spanners was Rs 1.95 crores. The off-take of prominent importing countries was USSR Rs 36 lakhs, UK Rs 35 lakhs, Philippines Rs 22 lakhs, Czechoslovakia Rs 21 lakhs and Japan Rs 17 lakhs. Among other buyers were Thailand, Singapore, Sudan, Malayasia, Federal Republic of Germany, Greece and Australia. The second most popular item was steel files. The export value of this item during 1971-72 was Rs 97 lakhs. The leading buyers were Federal Republic of Germany followed by USA, UK, Hong Kong and Thailand. In the category of cutting tools, twist drills, and tungsten carbide tips were other areas of export growth. The prominent absorbing countries were Federal Republic of Germany, UK, USA, Netherlands and Sweden. India's total production of handtools and small tools in organised sector was of the order of Rs 40.08 crores in 1971 as against Rs 36.32 crores in 1970.

Release of Sugar for May

The union government has released 295,000 tonnes of sugar from factories for May, 1973, of which 205,000 tonnes will be for levy and 90,000 tonnes for free sale. This will be 20,000 tonnes more as compared to the quota for April 1973.

Credit for Seafood

The Reserve Bank of India has directed scheduled commercial banks to extend prompt and adequate credit

support to the seafood industry. In a letter to the banks, the RBI has emphasised that the scheduled commercial banks should extend adequate credit support to exporters at various stages and well in time. Where necessary, discretionary powers may be given to branch managers to dispose of credit proposals quickly. The banks have also been asked to take steps to remove procedural bottlenecks. Specific guidelines have been drawn up by the RBI in regard to credit facilities to be granted to seafood exporters.

Air India-BOAC Pact

Air India and BOAC entered into a new pool partnership that may bring down fares between India and the United Kingdom from next month. The draft agreement was signed by Mr K.K. Unni and Mr Ross Stainton, chief executives respectively of Air India and BOAC for operating services between India and the United Kingdom and between India and Hong Kong.

US-Soviet Fertiliser Deal

Occidental Petroleum Corporation of California signed recently a preliminary agreement with the Soviet authorities tentatively valued at eight billion dollars to trade chemicals and machinery for chemical fertilisers over the next 20 years. If the agreement is transformed into firm contracts it would represent the biggest Soviet-American trade deal in history. It would also be essentially a barter deal involving almost no exchange of cash in either direction. Occidental will reportedly be seeking an agreement with the United States export-import bank to help finance sale of machinery to build four fertilizer factories in the Soviet city of Kuibishev. The Soviet Union faces a serious shortage of chemical fertilizers. Four factories and a pipeline to carry American superphosphate acid are to be constructed. Occidental reportedly will provide over a million tons of superphosphates per year when the agreement is fully operative. In return, Occidental will get urea and ammonia for fertilizer valued at about 200 million dollars a year. Occidental is also negotiating with the Soviet Union for setting up a trade centre complex including a big hotel in Moscow and for the sale of farm equipment.

Forum for Public Sector

Mr Mohammed Fazal, chairman of the newly formed Standing Conference of Public Enterprises (SCOPE), has stressed the need for a central organisation of public enterprises to provide a useful forum to assist the public sector help improve its total performance. Mr Fazal, who was addressing the chief executives of various public enterprises, emphasised the need for bridging the communication gap between public enterprises and the common man, who is the real owner of these enterprises.

Baharain Trade Delegation

A six-member trade delegation of the Bahrain Chambers of Commerce spent ten days in this country recently. Sponsored by the Federation of Indian Export Organisations, at the instance of the Ministry of Commerce, the delegation visited various industrial units in Bombay, Poona, Delhi, Faridabad and Ghaziabad. The delegation placed trial orders worth about Rs. 30,000, with a Delhi firm for engineering items, and hoped to place large orders for machine-made carpets. Another enquiry on the anvil was for mango juice. The team identified considerable scope for Indian consultancy services and technical skill in the Gulf Area. In fact, some of the members of the team had already initiated talks with their Indian counterparts for setting up a hotel, food processing plant and pharmaceuticals plant in Bahrain. The team further revealed interest in all kinds of building and construction materials, pre-fabricated houses, surgical instruments and appliances, surgical gloves, ties, cosmetics, oriental furniture, office equipment, furnishings, textiles, pump and oil engines, decorative laminates. The leader of the team, Mr Kanoo, President of the Bahrain Chamber of Commerce, invited reliable and efficient contractors — with their technical personnel and men—to assist in the building and construction activities at present being extensively undertaken in Bahrain.

Rising Unemployment

Judging by the registration in various employment exchanges in the country, unemployment, including edu-

INDUSTRIAL FINANCE CORPN. OF INDIA

5.3/4 Bonds 1985

Payment of Interest and Repayment of Principal guaranteed by the Government of India

Amount of Issue	:	Rs. 12,00,00,000.
Issue Price	:	Rs. 100.00 per cent.

Redeemable at par on the 30th April 1985

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. These are on the approved list of securities of the State Bank of India and are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscription will be received in cash/cheque at the Branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from Monday, the 30th April 1973. The list will be closed without notice as soon as the total subscriptions amount to Rs 12.00 crores, and in any case, not later than the close of business on Friday, the 4th May 1973. The Corporation reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs 12.00 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 30th April 1985. These will bear interest at the rate of $5\frac{3}{4}\%$ per annum from the 30th April 1973. Interest will be payable half yearly on the 30th October and 30th April and will be subject to tax under the Income Tax Act 1961.

Copies of the Prospectus and application forms can be had from the Offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its branches/sub-offices at (i) Jivabhai Chambers, Ashram Road, P.B. No. 4049, Ahmedabad-9, (ii) 22-Mahatma Gandhi Road, P.B. No. 5091, Bangalore-1, (iii) 20-Forest Park, Bhubaneswar-9, (iv) Mehta Mahal (5th Floor), 15-Mathew Road, P.B. No. 3928, Bombay-4, (v) 4- Mangoe Lane (2nd Floor), P.B. No. 2483, Calcutta-1, (vi) G.N. Bardoloi Road, Chandmari, P.B. No. 30, Gauhati-1, (vii) 6-3-631 Zilla Parishad Road, Khairatabad, P.B. No. 11, Hyderabad-4, (viii) Aggarwal Building, Canal Crossing, The Mall, P.B. No. 319, Kanpur-4, (ix) Raji Building (3rd Floor), 147-Mount Road, P.B. No. 1080, Madras-6, (x) 43-Pataliputra Colony, Patna-13 and also from the Delhi Division at 5-Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds tendered by them and bearing their stamps.

New Delhi
Dated the 10th April, 1973.

C. D. Khanna
Chairman

davp. 806(1)/73

cated unemployment is mounting. As against a rise of 18.8 per cent during 1970, the number of job seekers increased by 25.3 per cent in 1971 and 35.2 per cent in 1972. The figures tabulated by the Labour ministry show that the increase in absolute numbers was from 4.1 million at the end of 1970 to 5.1 million at the end of 1971 and further to about 6.9 million when the year 1972 closed. The increase is even more alarming in the case of educated job seekers. From 1.8 million in 1970, they rose to 2.3 million in 1972, signifying a percentage rise of 26 and 43, respectively. There were 23,000 engineering graduates and about 60,000 diploma holders in engineering in search of jobs. More than half among the educated unemployed (53.3 per cent) were matriculates and about 18 per cent were graduates and post graduates.

Manufacture of Nylon Yarn

The union government has decided to set up three nylon filament yarn manufacturing projects in the joint sector, Deputy Petroleum and Chemicals Minister, Mr Dalbir Singh, stated in the Lok Sabha recently. These would be located in Mysore, Haryana and Andhra Pradesh, he added. The capital cost for a nylon project with 2,100 tonnes capacity was estimated at Rs 7 crores.

Confectionery Industry

Mr. S. K. Mukherjee, chairman, Indian Confectionery Manufacturers Association stated at the annual general meeting held recently that considerable difficulty was felt by a number of confectionery factories in getting timely and adequate supplies of sugar of the desired quality at fair and reasonable prices. The price of sugar, he added, had registered an abnormal increase. Towards the end of the 1971 and confectionary units found it uneconomical to maintain production. He pointed out that the prices of quality confectionery were already ruling at levels much beyond the reach of the common man in view of his low purchasing power. The demand for quality confectionary had therefore, dropped and the industry was able to utilise only 35 per cent of its annual installed capacity. Mr Mukherjee added that another factor that had contributed to the present critical situation was the levy of high excise duty on confectionery produced in organised sector.

Power Shortage

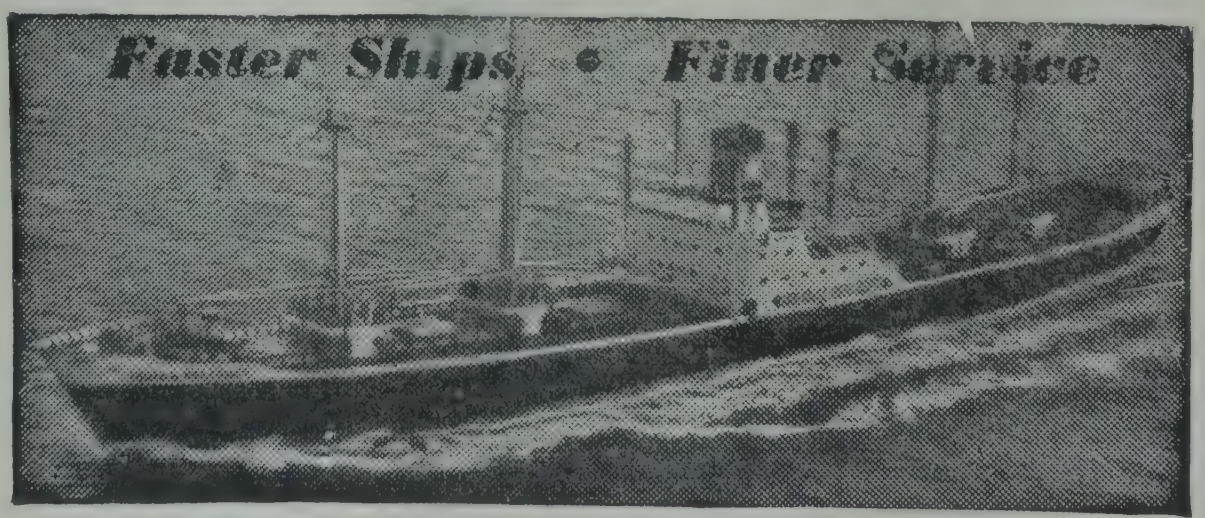
The government proposed to take over both the transmission and distribution of power in the country with a view to making optimum use of available power in priority fields, the deputy Irrigation and Power minister, Mr. Bal Gobind Verma, stated in the Lok Sabha recently. Mr Verma added that on an average the demand for power increased by about 12 per cent a year. The production of power at the end of 1972 was 17 million kilowatts as against 2.3 million kilowatts in 1951. It was expected to increase to 20 million kilowatts by the end of 1973. Even this would leave a shortfall of about 3.5 million kilowatts at the end of the current year. Mr Verma pointed and that it was proposed to establish two expert committees to go into the details of thermal and hydel power generation in various parts of the country. An annual power survey of the entire country would also be undertaken to identify areas where power distribution was low so that additional supplies could be directed there. It was also proposed to establish thermal power stations near coal-pitheads so that power could be generated at source and distribution from there.

Ennore Thermal Power Station

The Plannning Commission has approved the scheme for extension of the Ennore Thermal Power Station in Tamil Nadu for inclusion in the State's fourth five year Plan. Estimated to cost Rs 17.55 crores, extension scheme involves installation of one 110 MW turbo alternator set with the associated auxiliaries together with the installation of 370 tonnes per hour capacity boiler, accessories and other appurtenant facilities. The supply of plant and equipment will be from indigenous sources. The extension scheme will be based on supply of coal from Singareni collieries. The extension scheme will be commissioned during 1975-76.

Northern India Textile Mills

Mr S.P. Virmani, President, Northern India Cotton Textile Mills Association, New Delhi recently stated that there was need to increase spindles by three million and looms by 48,000 in mill sector and 40,000 in decentralised sector in order to meet the demand of textiles by the end of the fifth Plan. The government should take suitable steps, he added, so that the required capacity was created in good time and industry was able not only to meet its export commitments but also provide for domestic consumption. He stressed the need to review the cotton yarn control scheme in the



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light of the recent experience and pointed out that there was no cause for bringing in of yarn below 26s under the proposed price and distribution control on account of various factors and difficulties experienced by the industry. He hoped that when cotton yarn production increased the entire scheme would be reviewed in consultation with interests concerned.

Sixth Finance Commission

The sixth Finance Commission will submit its report by October, the chairman, Mr K. Brahmananda Reddy, stated recently in Calcutta. Mr Reddy told a news conference that the commission would cover all major states by the end of this month.

Progress in Defence Production

The annual report for 1972-73 of the ministry of Defence calls for constant vigil in view of the general picture on the sub-continent and Asia.

According to the report, the tempo of defence production has been maintained. Twentyeight ordnance factories and two departmental defence production units met the bulk of the requirements of the three services.

The output of these factories was worth Rs 178 crores in 1971-72. This year witnessed an all-time record rate of production in respect of a number of important items. The increase in production ranged from 10 per cent to 200 per cent. Among the several achievements are the production of modern anti-aircraft guns, which provide defence against low-flying aircraft with the help of sophisticated radar. The report stated that it has been decided in principle that every major unit should have a Research & Development Cell to promote indigenisation. To begin with, such cells will be set up in seven important ordnance factories. Some new projects have been proposed. These will produce special steels, field guns and 7.62 mm medium machine guns. The indigenous content of the Vijayanta tank is expected to reach 85 per cent by the end of 1973-74. In the next three years, the Vijayanta tank, the Shaktiman truck and the Nissan one-ton vehicle are expected to be entirely indigenous except for a few items which are not economically feasible to make within the country.

PNB Helps Young Entrepreneurs

In collaboration with the National Alliance of Young Entrepreneurs (NAYE) Punjab National Bank has evolved a special scheme for the assistance of the small entrepreneurs. To begin with. It will operate in the states of West Bengal and Bihar. The main objectives of the scheme are: development of small scale industries by growth of entrepreneurship amongst educated persons with a view to provide opportunities of self-employment on dispersed basis. Selecting profitable lines of manufacture and helping in the preparation of technically feasible and economically viable schemes. Securing various types of assistance from different development agencies of the state and central governments.

Cycles for USA

TI cycles of India, Madras, who pioneered export of bicycles from India to the USA, has come out with the first Indian 5-speed and 10-speed Racer bicycles, which were recently on display at the National Bicycle Dealers Association Show in Los Angles and the International Bicycle Show, New York. As the big bike boom continues in the USA new and flashy models of children's and adults' bicycles were on display at these two shows. For the first time since India started exporting, Indian bikes were prominently featured at both these shows.

The first Indian made 5-speed and 10-speed racers along with the 3-speed light-touring bikers were on display at prominent stalls in Los Angeles and in New York.

Names in the News

Mr O. Chinnapa Reddy, a judge of the Andhra Pradesh High Court, has been appointed Chairman of the Monopolies and Restrictive Trade Practices Commission. Mr Reddy succeeds **Mr A. Alagiriswamy**, who joins the Supreme Court.

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Deposit.	Months.	Amount. Repayable
Rs. 1000/-	18	Rs. 1100/-
Rs. 1000/-	33	Rs. 1200/-
Rs. 1000/-	46	Rs. 1300/-
Rs. 1000/-	60	Rs. 1400/-
Rs. 1000/-	69	Rs. 1500/-

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COMPANY AFFAIRS

Warner Hindustan

WARNER Hindustan has announced a handsome equity dividend for 1972 and a liberal issue of bonus shares. The directors have recommended a final equity dividend of six per cent which together with the interim makes a total of 18 per cent for 1972 as against nine per cent only for 1971. At the same time it has been decided to capitalise Rs. 49 lakhs out of the reserves and issue bonus shares in the ratio of one share for every two shares held. During the year sales recorded a smart rise by about 15 per cent from Rs. 6.33 crores to Rs. 7.28 crores while gross profit moved up by about 10 per cent to Rs. 1.32 crores from Rs. 1.19 crores in 1971. Out of the gross profit the directors have allocated a sum of Rs. 23.55 lakhs to depreciation reserve, Rs. 2.65 lakhs to development rebate reserve, and Rs. 67 lakhs to taxation reserve as against Rs. 22.02 lakhs, Rs. 1 lakh and Rs. 50.84 lakhs provided respectively in 1971. This leaves a net profit of Rs. 39.02 lakhs as compared to Rs. 45.59 lakhs in the preceding year. After other adjustments the directors have transferred a sum of Rs 2 lakhs to capital redemption reserve and Rs. 36.29 lakhs to general reserve as against Rs. 2 lakhs and Rs. 42.46 lakhs provided respectively in 1971. The proposed equity dividend will claim Rs. 17.64 lakhs, as against Rs. 8.82 lakhs in the preceding year while preference dividend will absorb Rs. 1.50 lakhs, the same as in 1971.

Asian Cables

The shareholders of Asian Cables Corporation have at last been amply rewarded with a maiden equity dividend of 7.5 per cent for 1972. Although sales recorded a strong solid expansion by about 19 per cent from Rs. 5.90 to Rs. 7 crores, gross profit registered only a moderate increase, rising from Rs. 62.88 lakhs to Rs. 64.36 lakhs. Out of the gross profit the directors have earmarked a sum of Rs. 14.36 lakhs to depreciation reserve, leaving a pre-tax profit of Rs. 50 lakhs as compared to Rs. 48.82 lakhs in 1970-71. The allocation to development rebate reserve amounted to Rs. 32.54 lakhs as against Rs. 0.93 lakh only in 1971. The enhanced provision for development rebate reserve thus wipes out all arrears of development rebate. The company's financial position has improved considerably enabling it to pay off completely the unsecured loans advanced by Duncan Brothers which at one time stood at Rs. 1.08 crores. In view of the satisfactory performance by the company, its bankers, United Bank of India, have agreed to waive the requirements of counter-guarantee of Duncan Brothers against its borrowing from the bank. The company hopes to achieve exports of over Rs. one crore in the current year as against an export sale of Rs. 50 lakhs in 1972.

S. S. Duncan

Schrader-Scovill Duncan has earned during the year ended October 31, 1972, a higher gross profit of Rs. 66.76 lakhs as compared to Rs. 62.58 lakhs in 1970-71. The directors have recommended a final dividend of 15 per cent which together with the interim of 10 per cent makes a total of 25 per cent for 1971-72, the same as that paid for the precednig year. The net profit for 1971-72 amounted to Rs. 16.79 lakhs after providing Rs. 4.17 lakhs for depreciation, Rs. 800 for Development rebate reserve and Rs. 45.80 lakhs for taxation. The net profit for 1970-71 worked out to Rs. 19.36 lakhs after appropriating Rs. 4.72 lakhs for depreciation reserve and Rs. 38.50 lakhs for taxation while no provision has been made for development rebate reserve. The interim dividend absorbed Rs. 4.62 lakhs and the final dividend will claim Rs. 6.93 lakhs. During 1971-72 the company's plant worked satisfactorily and customers' demand was met in full. Export sales were also higher at Rs. 12.50 lakhs. The directors are exploring various avenues for diversification of the company's activities, within the framework of the government, restrictions. Since February 9, 1973 production at the plant has come to a standstill on account of a walk out by workers to press their demand for increased wages. Efforts are being made to arrive at a settlement.

Kirloskar Cummins

Kirloskar Cummins has fared extremely well during the year ended September 30, 1972. With a jump in sales from Rs. 7.29 crores to Rs. 8.80 crores, gross profit leaped to Rs. 134.53 lakhs from Rs 98.37 lakhs in 1970-71. Out of the gross profit the directors have set apart a sum of Rs 31.23 lakhs to depreciation reserve, Rs 8.10 lakhs to development rebate reserve and Rs. 52.20 lakhs for meeting tax liabilities as against Rs. 29.27 lakhs, Rs. 4 lakhs and Rs. 48 lakhs provided respectively in 1970-71. After making other adjustments a sum of Rs. 94.37 lakhs has been transferred to the general reserve as against Rs. 12.17 lakhs allocated in 1970-71. The directors have doubled the equity dividend to 10 per cent for 1971-72. The recommended dividend will be tax-free to the extent of 66.66 per cent. In order to maximise the indigenous content of the company's products the management has decided to raise additional finance by issuing 8.5 per cent debentures for Rs. 50 lakhs to be placed privately with ICICI and LIC. The financial institutions have the option to convert 20 per cent of the principal amount of debentures into equity shares of Rs. 100 each at a premium of Rs. 25 per share, such option to be exercised during the years 1975-76 and 1976-77. After the proposed one-for-five bonus issue the directors intend to declare at least eight per cent dividend on the enlarged capital.

Madhya Pradesh Industries

A 60 million per annum dry cell manufacturing plant with West German technical collaboration is coming up at Bhopal, Madhya Pradesh. The plants is being put up by Messrs Madhya Pradesh Industries Ltd., a member of JK organisation, under technical collaboration with a world renowned company, Messrs VARTA GmbH of West Germany. The collaboration agreement has already been approved by the government of India. The highlight of the collaboration agreement is the manufacture of superior quality "Superdry cells" as per international patent of VARTA for the first time in India. The project when completed will cost about Rs. 225 lakhs. Total requirement of rupee loans have already been sanctioned by the Madhya Pradesh Audyogik Vikas Nigam Ltd and the Madhya Pradesh Financial Corpora-

tion. Foreign currency loan from Industrial Credit and Investment Corporation of India and directly from the government is expected in the near future. Madhya Pradesh Industries have already acquired and developed about 10 hectares of land. Civil construction is to commence shortly. Production is expected to start by end of 1974. The project when in full production will provide direct employment for 400 people and an indirect employment for about 4000 persons in an industrially under-developed states. The project with an export guarantee of 10 per cent involves export earnings of about Rs. 3 million annually.

Seven Seas Transportation

Seven Seas Transportation which made a public issue in December last, has completed the first phase of its plans to acquire ships. Satya Kamal, its first ship of 27,174 DWT has been in operation in fact from January 16. The Satya Padam, another ship of 19,710 DWT has also been delivered recently and the third, the Satya Sohan of 19.861 DWT will be received in the course of first week of June. Steps have already been taken to ensure a prompt employment of ships and the company expects that its working will be better than the initial expectations in view of the prevailing buoyancy in the freight market.

Unit Trust

During the third quarter of the current year i.e. from January 1 to March 31, 1973, units of the face value of Rs. 3.05 crores were sold under Unit Scheme 1964 with 6,429 new investors joining the Trust as compared to Rs. 1.77 crores under 4,586 applications during the corresponding period of the last year. About Rs. 10.05 lakhs were invested by non-residents under 107 applications and an amount of Rs. 9.91 lakhs was inevsted under the Children's Gift Plan under 345 applications. During the quarter January-March units of the face value of Rs. 79.20 lakhs were repurchased. The corresponding figure for the last year was Rs. 67.99 lakhs. The total number of unit holders registered with the Trust as on March 31, 1973 was 4,74,750, the total amount invested in units being about Rs. 120.05 crores. During the quarter under review, 430 new applicants joined the Unit-Linked Insurance Plan under the Unit Scheme 1971 for a target amount of Rs. 37.70 lakhs. The total number of applicants registered with the Trust as on March 31, 1973 was 1,573 for a total target amount of Rs. 1.30 crores.

News and Notes

(Expansion and diversification)

American Universal Electric (India) Ltd has made satisfactory progress in the implementation of its new projects. The company started last year commercial production on rotor sets which are used in sealed and semi-sealed compressors. The additional share capital of Rs. 35 lakhs, issued last year has been utilised for the execution of these new schemes. Meanwhile the company is embarking on a massive expansion programme. A long range corporate plan is being evolved and the management is confident that the company will be able to achieve comfortably 50 per cent growth per annum during the next three years. As there is an upsurge in demand for the company's products steps are being taken to raise plant capacities and meet the requirements of the market by larger production, reduction in cost and better quality.

New Issues

Pirmal Steel is setting up a mini steel plant at Tarapur Industrial area in Thana district. Initially one 10|12 tonne capacity electric arc furnace

DGS&D

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS
DISPOSALS WING: COMMODITY SECTION

TENDER PROGRAMME

FOR THE MONTH OF APRIL - 1973

S. No.	Tender No	Location	Stores	Date of opening	Offers to remain open to
1.	DGS&D/ MMH/ 537106/73 dt. 28-2-73	Executive Officer, Patna.	Spare Parts of the Cutter suction dreger.	24-4-73	23-6-73
2.	DGS&D/ CPM/ 543990/16 dt. 27-3-73	A W.H. Netaji Nagar New Delhi.	Electric Stores and Wire Copper Single conductor & Cable 2 Conductor etc. (copper)	25-4-73	26-6-73
3.	DGS&D/ 507536-537/ 18 dt. 28-3-73	C.V.D. Delhi Cantt.	Diamond Tractors 9 Nos.	26-4-73	26-6-73
4.	DGS&D/ MMH/ 537108/69 dt. 20-3-73	Naval Air Station Cochin.	Seal and Amphibian Aircraft in 105. 1 No. & Firefly aircraft in 118 =1 No.	27-4-73	27-6-73
5.	DGS&D/ MMH/ 537102/20 dt. 25-2-73 and DGS & D/MMH/ 537107/20 dt. 9-3-73	India Govt. Mint Bombay and Telecom. Fy., Jabalpur	Aluminium Bronz Dross (Coarse & Fine) and Zinc Dross Bits	28-4-73	28-6-73

Tenders should reach this office to the above named by 2-30 P.M. to be opened at 3-00 P.M. in public on the respective dates mentioned above.

Each tender must be accompanied by two Deposit at Call Receipts, one representing 5% of the tendered value as Earnest Money and other representing 5% of the tender value as Security Deposit subject to maximum amount of Rs. 1 Lakh. Tender forms containing particulars of stores, conditions of sales and permit to view the stores at site etc. can be had @ Rs. 5/- per set payable in Cash or by Money Order from the Cashier, DGS & D, New Delhi, Director of Supplies and Disposals, Calcutta, Bombay, Madras and Kanpur. Tender fees are non-refundable and tender sets are non-transferable.

All sales are strictly on the basis of 'AS IS WHERE IS'. OFFERS WILL BE CONSIDERED STRICTLY ON THE TENDER TERMS. IF THERE IS ANY DEVIATION OFFERS SHALL BE IGNORED. DGS&D RESERVE THE RIGHT TO REJECT ALL OR ANY OFFERS WITHOUT ASSIGNING REASONS THEREOF.

davp 73/15

Parliament Street, New Delhi

DGS&D

proposed to be instlled. The rder for the furnace has been laced with General Electric o. of India and the delivery ; expected to be made by une 1973. The installed capaity of the plant will be 21,000 onnes of mild ingots per year nd it will be doubled at a ater stage. As the factory is ituated at Tarapur, which as been declared a develop- ng area of Maharashtra, the ompany will be eligible for a ide range of incentives offer- d by the state government un- er the new package scheme f incentives. The capital outay on the project is estimated t Rs. 101.52 lakhs. To raise art of the resources required or executing this project the ompany is scheduled to enter he capital market on April 6 with a public issue of Rs 3.80 lakhs comprising ,68,000 equity shares of Rs 0 each and 7,000 preference hares of Rs 100 each, carryng a dividend of 9.5 per cent er annum. The company is xpected to earn a pre-tax profit of Rs 33 lakhs in the first year of its operations. The profit is expected to rise to Rs 42 lakhs in the second year. The directors are hopeful of declaring a maiden dividend of 10 per cent at the end of the first year of commercial production.

ica Breweries will soon be ffering to the public for ubscription equity shares orth Rs. 39 lakhs. The roceeds of the issue will be tilised by the company for etting up a brewery at Kuumbaipet in the union territory of Pondicherry. The lant will have a capacity for anufacturing 65,000 hecto itres of beer per year. The ompany has entered into arangements with Vulcan Laval or plant, machinery and rocess know-how and Skoda ill guarantee for the quality f the beer. According to curent forecasts the plant is exected to reach the capacity f 50,000 hecto litres at the nd of the first year of prouction and attain full capaity of 65,000 hecto litres in the fifth year. The sales are expected to go up from Rs 2.63 crores in the first year, to Rs 2.80 crores in the second year and to Rs 3.15 crores in the third year, the pre-tax profit being Rs 30 lakhs, Rs 42 lakhs and Rs 62 lakhs respectively. According to current indications the brewery is expected to start its trial run in April or May 1974 and market its product shortly thereafter. The company will be entitled to concessions in respect of industries set up in backward areas including a subsidy of 15 per cent of the value of equipment and machinery. The promoters hope to declare an equity dividend of 15 per cent for the first full year of production and enhance it to 20 per cent in the second year.

Handa Rotary Machines is planning to enter the capital market some time in the middle of this year to raise resources of the order of Rs 72 lakhs, all in equity shares of Rs 10 each. Negotiations are in progress with financial institutions for underwriting the entire issue. The proceeds of the issue are to be utilised for financing the company's project which is estimated to cost Rs 4.33 crores. Started as a private limited company with an authorised capital of Rs one lakh in 1971, the firm became a public limited company with an authorised capital of Rs 1.2 crores in 1972. The company has already started the first phase of its production at Vapi Industrial Estate, Gujarat. After the completion of factory buildings at Umbergaon, the Vapi unit will be converted into a feeder plant for small components. The existing indigenous manufacturing capacity for all kinds of printing machines is only Rs 50 lakhs per annum against the country's requirements of Rs 15 crores. There is thus a wide gap between the demand for printing machines and the existing indigenous manufacturing capacity. It is felt that with a raise in literacy there will be an additional demand of 1,000 rotary machines for the newspaper industry in 1980. Besides text book packaging and other industries will also require a large number of rotaries to meet their increased demand. At present there is no unit in the country manufacturing rotary printing presses. The HMT has recently started manufacturing machines but their sphere of activity is different. Thus this unit, it is claimed will be the only unit in the country manufacturing rotary machines. As there is in-built potential for the growth of this industry, the company's prospects are indeed quite bright.

Sylvania and Laxman is issuing 4,00,000 equity shares of Rs 10 each and 20,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each, both at par, to the public for subscription. The subscription list opens on April 25 and will close on May 7 or earlier but not before April 27. The proceeds will be utilised to meet a part of the cost of its Rs 3.44 crore expansion programme. The company's manufacturing facilities at present comprise a glass plant, lamp plant, plants for the manufacture of phospors, lead-in-wires and tungsten filaments. The company is now going ahead with its massive expansion programme which envisages production of 36 million numbers of lamps over the next three years as against nine million numbers at present. Besides the company has received a letter of intent for the manufacture of oxygen gas (0.90 million cubic metres) nitrogen gas (0.30 million cubic metres) and hydrogen gas (36,000 cubic metres). On the implementation of the project the turnover is expected to be trebled to nine crores of rupees in 1975-76 from three crores of rupees in 1971-72. The net operating profit, likewise, estimated at Rs 1.07 crores in 1973-74 is expected to go up to Rs 1.26 crores in 1974-75 and still further to Rs 1.47 crores in 1975-76. The management hopes to declare an equity dividend of 10 per cent for 1973-74 and raise it to 15 per cent in 1974-75 and step it up to 18 per cent in 1975-76.

Omega Locks and Typewriters is setting up at Bhopal a plant for manufacturing annually 30,00,000 locks and 10,000 baby (traveller) model typewriters 10,000 portable typewriters, 3,000 standard typewriters and 2,000 electrically operated standard and portable typewriters in English and major Indian languages. It has already applied seeking permission to increase the capacity to 80,000 units per year. The second phase of the programme comprises the manufacture of accounting machines, calculating machines electronic calculators and optical printing machines. The company has also plans to manufacture automatic steno machines, carbon papers, typewriter ribbons and other allied articles. To raise part of the finance to implement this Rs 50 lakh project the company is offering 1,50,000 equity shares of Rs 10 each at par to the public for subscription. The list for this fully underwritten issue opens on May 7 and will close on May 19 or earlier but not before May 10. The demand for typewriters, the imports of which were banned, is estimated around 120,000 units per annum against the total indigenous production of 43,000 units. The company has already on hand orders for typewriters and pencil carbons and ribbons worth Rs 10 lakhs. The company's plant is expected to go into production in October this year. The turnover for 1973-74 is expected to be around Rs 80 lakhs and is anticipated to cross the Rs three-crore mark in the sixth year of operato pay an equity dividend of 10 per cent for 1973-74.

New Registrations

Five public companies with a total authorised capital of Rs 10 crores and 26 private

companies with a total authorised capital of Rs 3.5 crores, were registered in Gujarat during March. The names of the companies are (a) public companies: Gujarat Tyres Ltd., Cement Corporation of Gujarat Ltd., Gujarat Nylons Ltd., Gujarat Alkalies and Chemicals Ltd. and Polymers Corporation of Gujarat. (b) Private companies: Umang Supplies Pvt. Ltd., Lucky Blades Pvt. Ltd., Shahibag Entrepreneurs Pvt. Ltd., Decom Marketing Pvt. Ltd. OPEC Innovations Pvt. Ltd., Eletex Marketing Pvt. Ltd., Saurashtra Savings and Finance Pvt. Ltd. Dazzle Plastics and Chemicals Pvt. Ltd., Theatres and Hotels Financiers Pvt. Ltd., James Exporters (Gujarat) Pvt. Ltd., Mahendra Dyes and Chemicals Pvt. Ltd., Japsaw Pvt. Ltd., Rollerketten Pvt. Ltd., Agritext Pvt. Ltd., Ranip Savings Pvt. Ltd. Dutron Plastics Pvt. Ltd. Adprint Services Pvt. Ltd., Telequip Services Pvt. Ltd., Pratap Investments Pvt. Ltd., Geakwad Agencies Pvt. Ltd., Anjana Dealers Pvt. Ltd. Do All Finance Pvt. Ltd., Business Executives Organisation Pvt. Ltd., Gujarat Dairy Development Corpn. Pvt. Ltd. Joshi Benefits Pvt. Ltd. and Continental Engineering Industries Pvt. Ltd.

During the month, one private company—Baroda Financiers Pvt. Ltd—and one association —The Southern Gujarat Oil Seeds Merchants Association (not for profit)—had gone into liquidation. One private company —Chandrika Tooth Paste and Powder Mfg. Co. Pvt. Ltd—was struck of the register.

Company Meetings

National Organic Chemical Industries Ltd: N.K. Mehta International House (Bhulabhai Desai Auditorium) 178, Backbay Reclamation, Bombay-20; April 30; 4.00 P.M.

The Western India Match Company Ltd: Bombay House Auditorium, 24 Homi Mody Street (Bruce Street), Bombay; May 3; 4 P.M.

Killick Nixon Ltd: Registered Office, Killick House, Home Street, Fort, Bombay; May 4; 4 P.M.

Coromandel Fertilisers Ltd: Registered Office, 126, Sarojini Devi Road, Secunderabad; May 11; 11-00 A.M.

Interim Dividends

Cowcooby Estates Ltd. has declared an interim equity dividend of seven per cent for the year ending June 30, 1973.

Richardson Hindustan Ltd. has announced an interim equity dividend of five per cent for the year ending June 30, 1973.

THE MINERALS & METALS TRADING CORPORATION OF INDIA LIMITED

EXPRESS BUILDING, BAHADURSHAH ZAFFAR MARG,
POST BOX No. 493, NEW DELHI-110001
(A Government of India Undertaking)

PRICE REVISION OF COPPER BY MMTC FOR THE PERIOD 1.3.73 TO 31.3.73

The selling prices of Copper effective from 1.3.1973 announced by the Corporation on 12.3.1973 have been reviewed and it has been decided to revise the said prices to be effective from 1.3.1973 upto 31.3.1973 as under :—

(Rs. per M T)

	REP	AU(P)	AU
I. Copper Wire Bars and Ingot Bars.			
(i) CIF Price	9730	9730	9730
(ii) Ex-Godown Price	16135	16280	16780
II. Copper Cathodes			
(i) CIF Price	—	—	9630
(ii) Ex-Godown Price	—	—	16045

2. (i) Validity of all the sale notes lapsing during the month of March, 1973 would be extended till 30th April, 1973 & serviced at the above prices.

(ii) Allottees who have already taken delivery of Copper in March, 1973 at the post-budget price will be entitled to the additional quantity or refund of price differential as they desire.

(iii) Allottees to whom sale notes have been issued at post-budget prices with validity upto 31.3.1973 but not availed of, will be entitled to quantity adjustments on the basis of revised prices.

(iv) Allottees are hereby advised to approach MMTC's Regional Offices at Bombay, Calcutta and Madras for amending the sale notes and complete all requisite formalities on or before 30th April, 1973.

(v) Allottees who had returned their sale notes to MMTC, New Delhi, for extension, are also advised to contact concerned Regional Office of the MMTC.

GAYWAYS

MRF Goa starts trial production within one year

The Managing Director's Statement at the 12th Annual General Meeting of Madras Rubber Factory Limited held on Thursday, March 29th, 1973.

A TRIBUTE TO OUR CHAIRMAN

Looking back over the year, we start on a note of sadness in remembrance of our Chairman, Shri K. M. Cherian, who died on 15th March, 1973. A man of great vision, he contributed much to the political, social, economic and cultural development of the country. In the field of journalism, the Malayala Manorama made unparalleled progress and became a forceful moulder of public opinion under his able stewardship. For his constant service to the Nation he was awarded the Padma Shri in 1965 and the Padma Bhushan in 1970.



Shri K.M. Cherian

Madras Rubber Factory, from its inception, flourished under his chairmanship. The position of our company today is due to his dynamic leadership. We are grateful for his guidance over the years and shall always remember him with respect and affection.

THE SILVER JUBILEE YEAR

Our company completed 25 years in 1971-72. During this Silver Jubilee Year, the implementation of our licensed capacity at Madras was completed. Tread rubber production and mixing capacities were augmented in Kottayam. A new automotive tyre and tube manufacturing unit was started in Goa, and a fourth plant to manufacture cycle tyres and tubes was set up in Arkonam. Both our Goa and Arkonam projects are eligible for concessions under the special schemes for development of backward areas.

Our Silver Jubilee Year, therefore, was a landmark for our company. We incurred during that year a capital expenditure of over Rs. 3 crores, an all time record for any year in our history. Moreover, with the licence for 400,000 automotive tyres and tubes for Goa, our company's total licensed capacity, exceeding ten lakhs, becomes the second largest in India.

All our expansions have been financed from the funds generated by our company and by term loans from financial institutions. It is significant that the company was able to undertake these major expansions without recourse to additional equity.

EFFECT OF POWER CUT

Normally we should have begun to reap the benefits of such expenditure on expansion during the current year, but the power cut in Tamil Nadu has hampered production at the Madras unit and delayed commissioning of the Arkonam plant. As against this, production from our Kerala unit is greatly assisting us at this critical juncture, and further benefits will accrue from Goa, when it commences commercial production in the current year.

While we had anticipated power shortage from the time monsoons failed and had made arrangements for the generation of power, the imposition of 75% power cut in Tamil Nadu from mid-February could not be completely mitigated and a loss in production has resulted. To meet the constraints of both quantum and rate of power consumption imposed on us, we have rescheduled our manufacturing operations. Also, a third generating unit was recently commissioned and a fourth generator purchased. These efforts along with contributions from Goa and Kerala plants, have assisted in maximising our production levels.

Acute scarcity conditions exist for truck and bus tyres, while car, scooter and motor-cycle and other tyres are readily available. We are directing all our efforts to maximise production of truck and bus tyres. However, our commitments to Defence, State Transport undertakings, vehicle manufacturers and the transport industry at large, can be met only when power restrictions are relaxed.

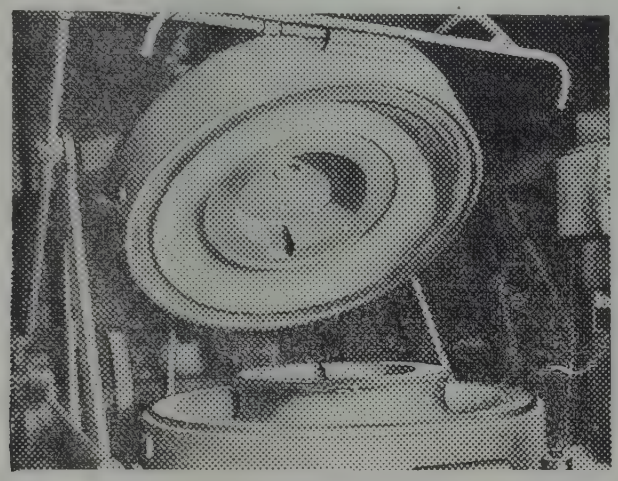
RESEARCH AND DEVELOPMENT

The foundation stone for our Rubber Research Centre was laid in June 1963 by Prime Minister Pandit Jawaharlal Nehru. Since then considerable progress has been made and substantial achievements have been recorded.

LINTAS-MSF. 73A-205

Our R & D activities cover (1) Compounding and Development resulting in product improvement and import substitution of raw materials (2) Tyre construction involving development of tyre designs specifically suited for Indian and international markets and (3) Engineering development of indigenous tyre and tube machinery and equipment.

Our break-through has been in the indigenous manufacture of machinery and equipment required for tyre and tube manufacturing. The setting up of a unit of 400,000 automotive tyres and tubes capacity at Goa within one year and requiring only Rs. 1.15 crores worth of imported machinery, is an achievement which we and our collaborators are justifiably proud of.



Steam Jacketed Tube Mould—designed and built entirely in India.

All these achievements should also be looked at in the light of rapid changes taking place in the tyre industry elsewhere in the world. Innovations cover belted bias tyres and radial ply tyres. The latter dates back to a patent in 1913 but came into large-scale production only 50 years later in the 60's. Both these constructions are yet to be introduced in India. Other new developments cover rapid cure systems with microwave heating, use of computers in rubber compounding and tyre design, and a continuing increase in the diversity of raw materials such as polyester fibre, glass fibre, Fibre B and also polymers and chemicals.

These developments have involved stupendous investments in R & D. For example, R & D cost for the radial ply tyre is estimated to be Rs. 1,000 crores, whereas the Indian tyre industry turnover is hardly 1/3 of this investment. There are other innovations as well resulting from the close working between tyre manufacturers and raw material manufacturers. All these are of utmost concern to the Indian tyre industry, and the fruits of research elsewhere need to be made available to us in India, through continuing technical collaborations, which are a fraction of the cost of the original research.

Our collaborators, Messrs. Mansfield Tire & Rubber Company have actively helped us by training our men in their factories and by continuing to supply us the latest technical information and results of their own R & D efforts. These results are vital for the growth of our own R & D. Without these inputs, Indian technology will become isolated.

Continuity of collaboration should not be interpreted in any way as slackening of our own R & D efforts. An "Approach to Science and Technology Plan" has been evolved recently by the Government of India and a suggestion has been made that 0.5% of G.N.P. should be allotted for research. This is already our company objective, as can be noted from our R & D expenditure last year of about Rs. 10 lakhs. It should also be recognised that such an allocation will result in a steady and continuous growth of research corresponding to our company's own growth and its diversification.

EXPORTS

One measure of our nation's success in R & D has been the increasing indigenous manufacture for raw materials. A relevant point is that while 10 years ago over 90% of the raw materials were imported for automotive tyre and tube manufacture, current import levels are hardly 5%. This trend towards greater and greater import substitution has unfortunately affected export costs of finished products. Vital raw materials, such as rubber and textile fabrics, which together represent a large portion of the product cost, are 2 to 3 times that of international prices. As higher levels of local manufacture are achieved, costs of finished products have correspondingly risen very rapidly, significantly increasing the losses on account of exports, and retarding export growth.

In order to off-set this adverse impact, we have represented and recommended to the Government that, as a matter of policy, raw materials be supplied at international prices whether from indigenous sources or through imports. A policy can be evolved within the frame-work of the existing export replenishment scheme. Continuing increase in exports of finished products is in our national interest and a policy such as this, already in existence in the case of the plastic industry, must be extended to the tyre industry if non-traditional exports are to grow.

In spite of the difficulties outlined above, our exports have doubled to Rs. 91 lakhs. This exceedingly good effort has gained us recognition from the Government of India and the Export Promotion Council. Our company established another record by getting two export awards in one year.

GOA AND ARKONAM UNITS

We are happy to report that trial runs have started at our Goa plant, in anticipation of commercial production in the current year. Production can start at Arkonam as soon as the present power restrictions are removed.

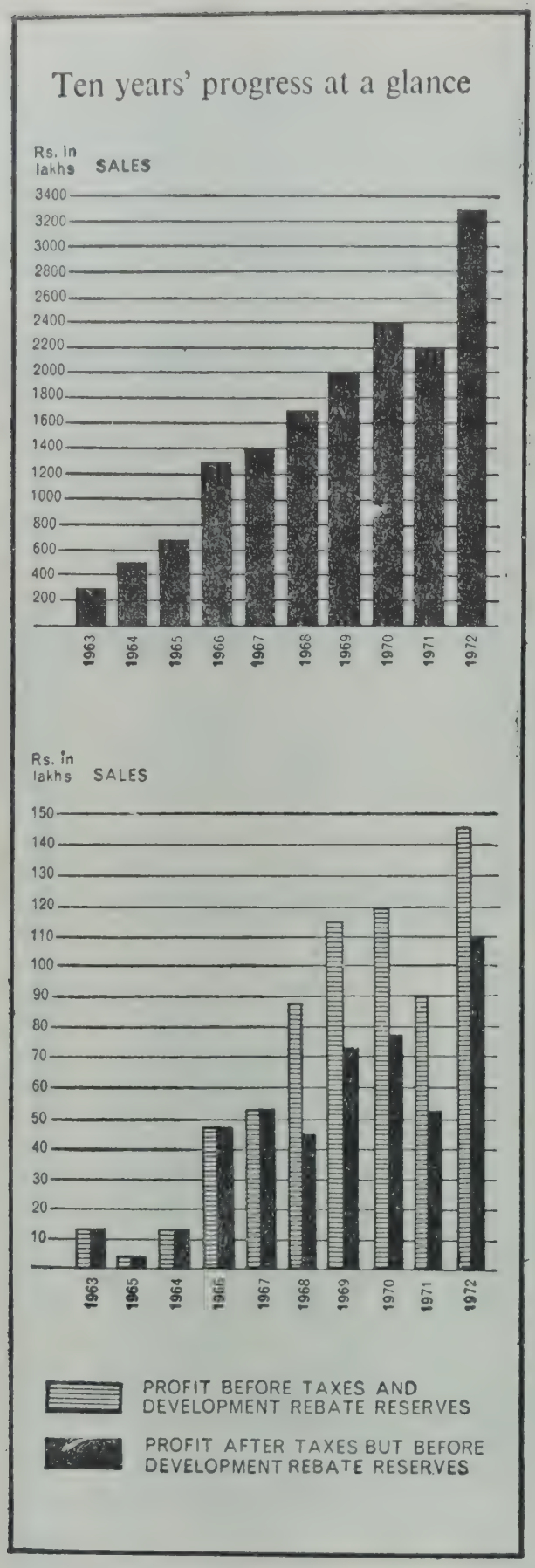


A section of the Goa Factory

WORKING RESULTS

The Directors' Report and Audited Accounts for the year ended 30th September 1972 have been in your hands for some time now and you know the contents. It is very gratifying to note that sales achieved for the year represents an increase of 55% over the previous year. Reserves and surplus stand at Rs. 2.67 crores as on 30th September 1972 and exceed our share capital of Rs. 2.44 crores. The Board of Directors have recommended a payment of 12% dividend on the paid up capital of the company as on 30th September 1972.

LINTAS-MSF. 758-203



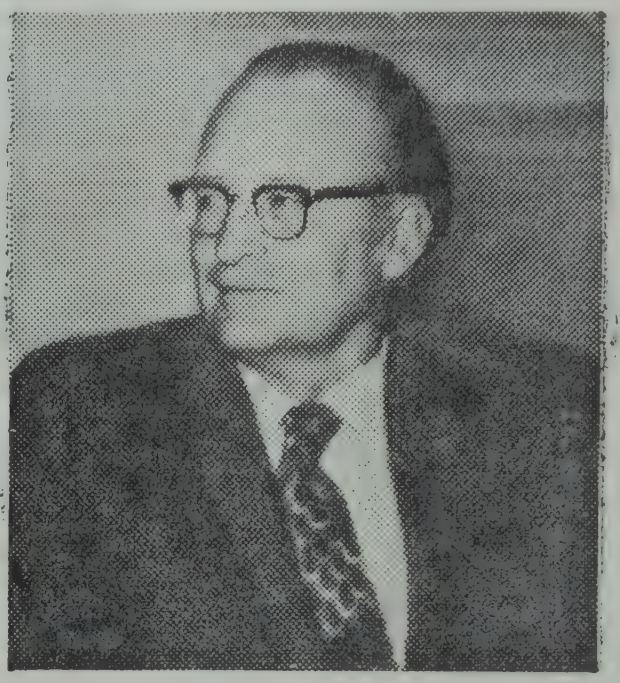
Ten years progress at a glance.

PROSPECTS

The working of the company for the first five months of the current year has been satisfactory. Sales have advanced by approximately 20% over the corresponding period last year. With commercial production starting soon at our Goa plant, increased utilisation of our Kottayam unit and steps taken to augment power supply, our endeavour is to maintain last year's performance, in spite of the 75% power cut in Tamil Nadu

COLLABORATORS

We are deeply indebted to our technical collaborators, the Mansfield Tire & Rubber Co., Mansfield, Ohio, U.S.A. and their President, Mr. James H. Hoffman, for their continued technical assistance and help in expanding our export markets.



Mr. James H. Hoffman

CONCLUSION

I take this opportunity to thank all our retreader friends, tyre dealers, consumers, banking and financial institutions and suppliers for their continued close co-operation. I also thank all employees and my colleagues on the Board for their contribution to the growth and development of our company.

MRF

MADRAS RUBBER FACTORY LTD

(In collaboration with
Mansfield Tire & Rubber Company, U.S.A.)
175/1 Anna Salai, Madras 600-002, India.

CINTAS-MSF, 75C-208

The Vijaya Bank Ltd.

Regd. Office: Light House Hill Road, Mangalore-3.
Admn. Office: Race Course Road, Bangalore-1.

Statement by the Chairman Shri Mulki Sunder Ram Shetty

Ladies and Gentelemen.

I have great pleasure in extending to you a hearty welcome to the 41st Annual General Meeting of our Bank. The Directors' report and Audited Accounts for the year ended 31st December, 1972 have been in your hands for some time now and with your permission I shall take them as read.

THE ECONOMIC SCENE 1972:

For India, the year 1972, was a year of trials and tribulations. We have had to face many a new challenge. The new spirit of self-confidence which pervaded the country in the beginning of the year began to give way under the weight of econo-



Shri Mulki Sunder Ram Shetty

mic problems that cropped up later. However, the Union Government and the State Governments did their best to re-instil the spirit of confidence. Now, we find a welcome change in the attitude of the people and the country seems prepared mentally to take all these problems in her stride.

However, the experiences of 1972 have brought into sharp focus two importnt facts which should warn us against self-complacency. Firstly our achievements in various fields are not adequate to withstand the strains generated under unfavourable and adverse natural conditions. Secondly, without hard work and discipline the country cannot come by that capacity and endurance which will enable her to survive crises she may have to face.

On the international front, the pound sterling was left to float itself in June 1972 and many exchange controls were imposed by the U..K. Government "virtually putting an end to the sterling area." The prices of gold shot up sharply to reach unprecedented levels. The situation in the exchange markets remained highly fluid and uncertain.

The Indian economy was under considerable strain during 1972. This reflected, to a considerable extent, the rather unsatisfactory growth of agricultural production in 1971-72. The kharif season of 1972-73 also suffered a set-back. Unfortunately, there was a significant increase in monetary outlays on account of refugee relief measures and increased defence expenditure during this period. Certain unforeseen events such as drought and natural calamities further aggravated the situation and raised the government expenditure. The resulting imbalance between the demand and supply, particularly with regard to food grains, vegetable oils and sugar, led to an enormous increase in the prices of basic necessities of life. The wholesale price-index shot up by 13.7 per cent in the year 1972.

Many states had to face the serious problems of acute power shortage mainly due to the erratic behaviour of the monsoons.

Despite this, it is interesting to note that there was a sharp acceleration in the rate of growth of industrial production. The increase in industrial production is estimated at 7 per cent. as compared to an increase of 2.9 per cent. in 1971.

It is heartening to note that our performance on the export front was found to be encouraging. The total export earnings during the eight months ended in November, 1972 stood at Rs. 1,239 crores, recording an increase of more than 23 per cent. over the value-of exports during the same period in 1971.

As regards the rate of domestic savings in 1972 it is believed that it may be slightly higher than in 1971. However, it must be remembered that the increase in the rate of savings achieved in recent years is not much higher than the rate of savings realised in the early sixties.

All these facts strongly suggest that a higher standard of economic performance is required in all sectors of the economy if we are to achieve the goals of national development. I would like to assure you that our Bank will play its full role in achieving these goals.

THE BANKING SYSTEM:

Though the performance of commercial banks in India in the year 1972, considering the difficult conditions that prevailed in the country, could be considered as satisfactory, the growth rates of deposits and advances as also the pace of branch expansion showed downward trends. It also proved to be a year of contrasts. There was excess liquidity in the banking system. An unusual situation developed when the banks had to bear the burden of a surfeit of funds without finding sufficient outlets for advances. Against a credit rise of Rs. 599 crores in 1971 and Rs. 861 crores in 1970, there was a rise of only Rs. 345 crores in 1972. The rate of credit growth dropped sharply from 13.5 per cent in 1971 to 6.9 per cent in 1972. This painful burden of excess liquidity in the banking system made many of the major banks compete for advances and thus led them into an 'interest rate war' in the country.

As regards the deposits, the banks mobilised Rs. 1,223 crores as fresh deposits during the year taking the total deposits of the country to Rs. 8,145 crores as at the end of December, 1972, an increase of 17.4 per cent over the deposits of 1971. The increase during 1971 was 22 per cent. Inflationary pressures operating, on the economy and the drought conditions prevailing in many parts of the country might have been responsible for the slower rate of deposit growth in 1972.

The total number of branches opened during 1972 stood at 1763, slightly less than the total number of branches opened in 1971. As at the end of December last, the total number of branches stood at 14,739, the average population served by a branch being 37,000.

CREDIT POLICY :

As you all know, the money supply with the public has been increasing at an accelerated rate during the last few years. It has been observed that the major contributory factor in the growth of money supply was the net increase in bank credit to Government. The net increase in bank credit to Government was of the order of Rs. 980 crores between March 1972 and Januay 12, 1973. The money supply stood at Rs. 8759 crores as on January 12, 1973, recording an increase of about 12.3 per cent in one year. But unfortunately, the rate of growth of real national output has been decreasing during the same period. The annual rate of growth which was 7.3 per cent in 1969-70 declined to 2 per cent in 1971-72. The rate of growth for 1972-73 is estimated to be about 2 per cent. As a result, the gap between the aggregate demand and the aggregate supply was widened and inflationary pressures were operating with great force on the economy of our country. Therefore, the Reserve Bank of India has been pursuing a fairly restrictive credit policy, keeping always in view the genuine credit needs of the productive sectors and the weaker sections of the community, during these years of increasing inflation.

In the slack season of 1972, there was no major change in the credit policy, excepting some modifications in the fields of selective credit controls. But the situations that developed later in the economy made the Reserve Bank of India come out with a credit policy of a more restrictive nature for the busy season of 1972-73 than for the busy season of 1971-72. The mounting pressure on prices and the excess liquidity in the banking system were the two important problems faced by the economy. Therefore, the Reserve Bank did well by taking measures to syphon off the excess liquidity and to enable banks to assist in increasing the production, industrial as well as agricultural. The statutory liquidity requirement of banks was further raised to 30 per cent from 29 per cent and the minimum net liquidity ratio relevant for determining the rate of borrowings from the Reserve Bank of

India was raised from 34 per cent to 36 per cent.

The banks utilised their surplus funds to repay their borrowings from the Reserve Bank and to step up their investment in Government securities. The borrowings from the Reserve Bank which stood at Rs. 171.15 crores as at the end of 1971 came down to Rs. 8.55 crores at the end of 1972. The investment in Government securities in 1972 was of the order of Rs. 507 crores whereas it was Rs. 291 crores in 1971.

OUR BANK:

I am indeed very happy to report to you that our Bank had another successful year in 1972. It maintained the all-round progress we achieved during the last few years, particularly during these four years since 1969, the year in which your Chairman was appointed as the full-time Chairman and Chief Executive of the Bank. It may be of interest to you to know that our deposits increased by about 354% during this period of four years — from Rs. 13.20 crores to Rs. 58.86 crores while the number of branches went upto 184 from 89 showing an increase of 107%. The paid-up capital was increased to Rs. 59.6 lakhs from Rs. 13.8 lakhs and the reserves reached the mark of Rs. 36 lakhs from a low level of Rs. 7 lakhs during the same period. And the increase in advances was more than fourfold from Rs. 8.82 crores to Rs. 36.10 crores. The return on your investment in the shares of the Bank was doubled—from 6% it went upto 12%. The increase in bonus for the employees was almost threefold—from 4% it went upto 11%.

In the year 1972, our deposits went upto Rs. 58.86 crores from Rs. 43.64 crores as at the end of December 1971, recording an increase of 35%, slightly more than double the average increase of 17.4% in the banking system. Our advances stood at Rs 36.10 crores, recording an increase of about 40% over the previous year, The average credit-deposit ratio was 63.5%. I am very happy to report that our advances to priority sector formed 32% of our total advances,

Regarding the opening of branches, though we could not reach the mark of 200 branches as mentioned in my address last year, it proved to be a record year for us. We opened 43 branches in 1972—more than 23% of the total number of branches, the increase over the previous year being 30.5%. I am happy to inform you that we have already obtained licences to open a number of branches in important places of our country both in the North and the South. As on today we have a total of 189 branches. Two more branches, one at Calcutta and the other at Panaji (Goa) will be opened shortly.

WORKING RESULTS:

As you can gather from the facts and figures presented to you, every effort was made to increase our profits. The increase in our advances, in percentage terms, was higher than the increase in our deposits, although the rate of credit growth in the banking system dropped sharply from 13.5 per cent in 1971 to 6.9 per cent in 1972. Measures were also taken to reduce the cost of operation at various levels.

Turning now to our working results for the year 1972, I am pleased to report that out gross earnings reached the level of Rs. 4.51 crores. showing an increase of more than 45%. However, mainly as a result of increase in the expenditure under salaries and allowances—partly due to the upgradation of the Bank into 'A' class and partly due to the fresh recruitment of more than 1,000 persons during 1971 and 1972 and also partly due to the expenses associated with the opening of a number of new branches in 1972, our increase in net profits could not be very high.

However, I am happy to say that our working ratio of salaries and allowances to the gross earnings declined to 0.30 from 0.32 in 1971. Our staff deposit ratio also declined to 42.5 per one crore of deposit from 43.5 at the end of 1971.

FOREIGN EXCHANGE:

As regards the foreign exchange business, though we started it just about a year and a half ago, there was a significant improvement in the performance of the business during 1972. Eight of our branches *viz.*, K.G. Road, Bangalore, Fort-Bombay, Cochin, Hyderabad, Madras, Light House Hill Road-Mangalore, New Delhi and Guntur have already been authorised to deal in foreign exchange business. The proposed branches at Calcutta, Lucknow, Jaipur, Goa etc., will be included in due course.

We have concluded agency arrangements with over 60 important international banks at almost all the important centres of the world.

HUMAN RESOURCES:

As you are aware, we are passing through an era of rapid change. The new banking policy has added new responsiblities to the bankers. The progress and growth of a service agency like a bank inextricably depends on the performance of its personnel. About 52 per cent of our total number of branches were opened during the last four years. This rapid expansion of branches has created a problem of inadequately trained personnel of various levels. Therefore, we have to pay more attention to the planning and development of human resources of our bank. I am glad to mention that the task of training our staff has been taken up in right earnest. During the year 1972 about 200 bank personnel belonging to different levels, attended a wide variety of courses and seminars at different places.

I would like to assure you that every effort will be made to improve further the scope and quality of our services, not only through the opening of new branches and by offering new types of services but also by putting well-trained staff at the branches as well as at the Administrative Office.

OUR THANKS:

I am immensely happy that my esteemed colleagues on the Board continued their unstinted co-operation and support throughout the year. I very sincerely thank all of them. My thanks are also due to the members of the Local Advisory Committees for their co-operation.

I must also thank the Special Officer, other Executives, Officers and the staff of the Bank for their continued loyalty and dedicated service.

I am extremely happy that we had another year of excellent industrial relations.

I am also very happy that our family of shareholders has grown further. I acknowledge with gratitude their confidence in me and my colleagues on the Board.

Thank you.

Note: This does not purport to be a record of the proceedings of the 41st Annual General Meeting of the Bank.

RATES OF SUBSCRIPTION

EASTERN ECONOMIST WEEKLY

	Inland	Foreign	
Annual Subscription	Rs. 85.00	£ 10.00	$ 25.00
Half-Yearly Subscription	Rs. 45.00	£ 5.00	$ 12.50

RECORDS & STATISTICS QUARTERLY

	Inland	Foreign	
Annual Subscription	Rs. 16.00	£ 2.00	$ 4.00
Single Copy	Rs. 4.00	£ 0.50	$ 1.00

Note:—Subscription may commence, for the sake of convenience, from the first of any calendar month.

The back issues of previous years available; rates on enquiry.

It is requested that payment for the required period is sent along with instructions.

Foreign Air Mail rates on application.

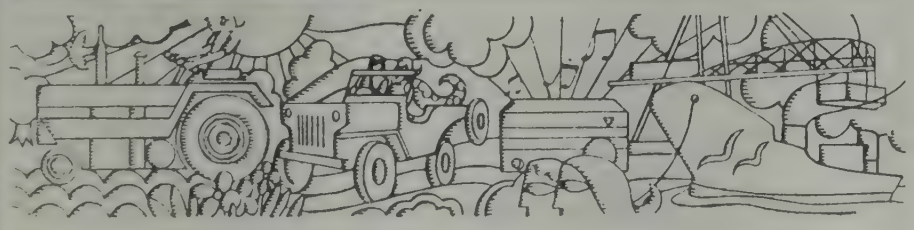
Priority development and the international bank





Self-reliance through communication development ...

a priority issue at **National and Grindlays**



National and Grindlays has been financing the growth of priority industries engaged in communication, farm mechanization, transport, exports, etc., and thus helping the nation achieve self-reliance.

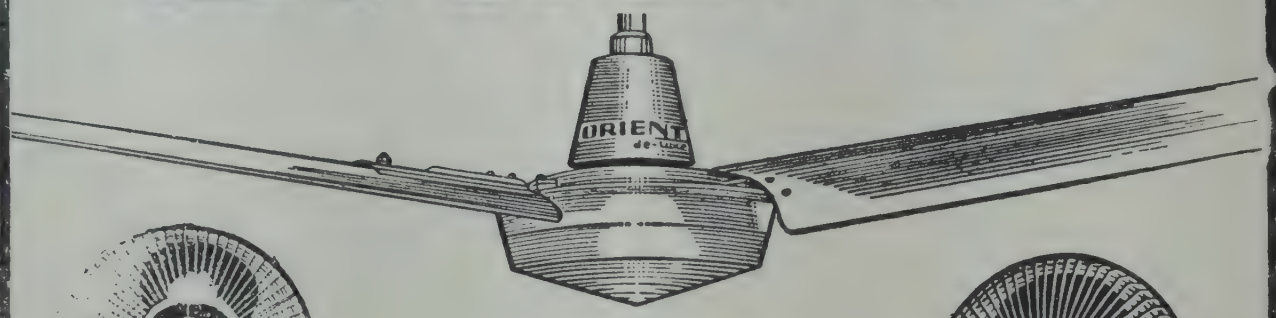
NATIONAL AND GRINDLAYS BANK LIMITED

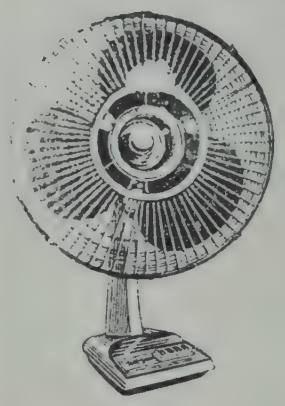
(Incorporated in the United Kingdom. The Liability of Members is Limited.)

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ORIENT

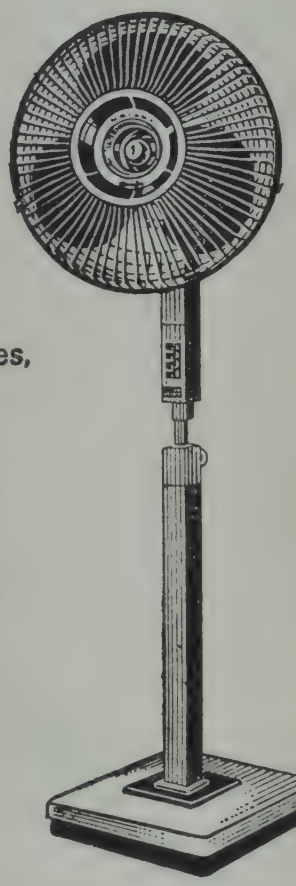




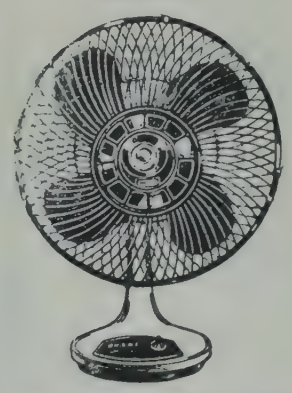
Desk Fan

STRONG SILENT DEPENDABLE

Orient fans are elegantly designed to blend with the decor of modern homes, offices and other establishments. They come in a wide range—ceiling, table, desk, stand, all-purpose and exhaust fans—to meet your specific requirements. Built by India's most experienced fan makers, Orient fans are known for their unrivalled quality in India and abroad. All fans are guaranteed for two years.

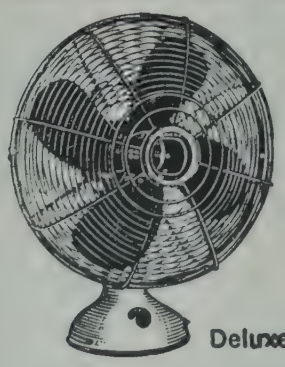


Stand Fan

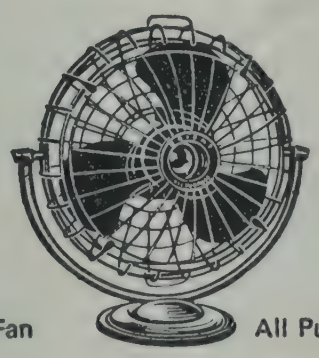


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RECORDS AND STATISTICS

Assistance to shipping industry

ALMOST ALL maritime nations provide special assistance to their shipping and shipbuilding industry. Given below are details of assistance provided by Japan, the UK, Norway, the USA, Greece, West Germany, France, the Netherlands, Sweden, Denmark, Spain, Brazil, Finland, Argentina, Australia, Belgium and India. The development rebate in our country allowed a shipping company to set up reserves from profits each year up to 40 per cent of the cost of new ships and 20 per cent for second-hand ships. The reserve was maintainable for eight years. This concession will be withdrawn with effect from May 31, 1974. In its place, the Finance Minister, Mr Y. B. Chavan, has proposed an initial depreciation allowance of 20 per cent which will, in all probability. apply to the shipping industry although the list of industries to which it will be made applicable is still "under consideration." Given below is the nature of assistance by major maritime nations to their shipping and shipbuilding industry:

Japan

1. A tax exemption is permitted for three per cent of the total export sales of shipping services or 80 per cent of export net income earnings through selling shipping services whichever is lower. Loans through Japan Development Bank provide for loans upto 70 per cent for cargo liner and tramps and 80 per cent for tankers and bulk carriers. This is repayable in 13 to 15 years at an annual rate of interest of 6.5 per cent.

2. An export shipping construction loan amounting to 70 per cent of the total construction cost of an export ship is extended at the rate of four per cent per year.

UK

1. Ships purchased by British owners for UK Registry become eligible for an investment grant at the rate of 20 per cent of cost. This has been increased to 25 per cent (for expenditure incurred in 1967-68).

2. Government also guarantees loans totalling upto $560 million at any one time to UK shipowners building ships of 100 GRT or more in UK shipyards. The loans carry fixed rate of interest and are repayable in eight years.

Norway

1. Norwegian credit facilities are small in relation to the requirements of the nation's shipping and shipbuilding industry.

2. A temporary assistance to Norwegian shipyards was allowed in 1967 to enable them to compete with other countries. This provides for 80 per cent credit over a period of eight years at an interest of 5½ per cent. A permanent arrangement is under study.

3. There are no exclusive tax benefits for shipping.

USA

1. Operating differential subsidy is given to shipping companies who place American vessels on a parity with those of foreign competitors.

2. Any profits made in excess of 10 per cent of capital necessary employed over a period of 10 years are recaptured to the extent of 50 per cent.

3. Provision exists for a construction—differential subsidy for vessels used in foreign commerce of USA upto 55 per cent of construction or reconstruction cost.

4. Maritime administration is authorised to insure commercial loans and mortgages for construction or reconstruction of vessels designed for use in the domestic or foreign trade of USA.

5. The Merchant Marine Act provides for direct loans for subsidised construction of vessels in foreign trade with a down-payment of 25 per cent of the price of the vessels and also for direct loans for vessels constructed without subsidy. In such cases the down payment required to be made is 2½ per cent of the price of the vessel. In both the cases, the rate of interest is 3½ per cent per annum with amortisation not to exceed 25 per cent equal annual instalments. However these two provisions have not been used by the US government during the last several years. Since the government policy is not to lend money in competition with private lenders.

Greece

1. The Bank of Greece finances commercial banks at an interest rate of 3.5 per cent per annum to enable the latter to extend long term low interest rate bearing loans to Greek shipowners placing orders on a domestic shipyard and repaying in foreign currencies.

2. Loans may be for 80 per cent of the construction cost of Greek Flag ships at an interest of 5.8 per cent per annum repayable in 10 years.

3. The loans qualify for Greek government guarantee.

4. New tax relief measures to shipping provide for the following :—

Ships laid up for more than three consecutive months are entitled to proporational tax reduction; ships less than 10 years are exempted until they reach that age; ships built in Greece or registered under the Greek flag or so exempted till they reach 12 years of age. A five-year tax exemption is allowed to ships less than 13 years old which are being placed under the Greek flag; ships less than 20 years old which have been modernised in Greece are also exempted.

West Germany

1. Ship construction loans up to 30 per cent of the construction cost are granted. These loans have a 20-year repayment period and carry interest at 2½ per cent per annum.

2. Ship construction subsidies are also given up to 10 per cent of the construction cost.

3. To assist West German shipyards to obtain overseas orders, a scheme of aid was instituted in 1966 by which the interest on loans to shipyards for financing new ship construction would be reduced by 2½ per cent percentage points from the capital market interest rate when orders were received from developed countries other than Common Market countries. This concessional interest will be applicable only up to 80 per cent of the cost of the vessel.

France

1. By virtue of an act passed in 1951 a direct subsidy is paid on a lump sum basis to the builder to compensate for the difference between the French and foreign ship construction cost. This subsidy is upto 10 per cent for the construction of an ocean-going ship.

2. An investment subsidy amounting to $20.4 million was also allocated for acquisition of cargo liner during the

period between 1966 and 1970. The assistance was upto 12 per cent of the cost of the vessels.

3. Ship builders have access to 20 years loan at five per cent interest for modernisation and improvement.

4. Credits upto 80 per cent for a period of 8 to 15 years are also available at a reasonable rate of interest.

5. Government also reimburses shipowners of portcost in respect of accidents and illness occurring on board or in course of embarking.

Netherlands

1. From 1967 government pays Dutch shipbuilders enabling them to furnish credits at a reduced interest.

2. This subsidy will cover upto 25 per cent of the current market interest rate.

Sweden

1. Earnings from the sale of vessels are transferable to a special fund which if used to acquire new vessels are not taxable.

2. For the construction of small or middle sized vessels upto 80 per cent of the price repayable in 15 years with interest at 5¾ per cent is granted by the National Board for granting loans on small ships. These vessels are usually below 500 GRT.

Denmark

1. Under arrangement made by the Danish institute for shipbuilding yards, Danish or foreign shipping companies who order vessels from Danish Yards can obtain credits at six per cent interest with repayment in 8 to 10 years.

2. Danish government also grants loans and guarantees up to $1.12 million per year for construction or conversion of small ships of 500 GRT or under plying in the coastal service. Such loans are upto 80 per cent of the cost and are repayable over a 15-year period.

Spain

1. Shipowners who purehase ships in Spanish shipyards receive a discount from government amounting to nine per cent of the value if the ship is completely constructed in Spain and six per cent if the propulsion is imported.

2. The ships built in Spain for Spanish registry enjoy 10 years reduction of 50 per cent in real estate and stamp taxes pertaining to contracts relating to ship construction.

3. Subsidies to shipping will receive total tax exemption.

4. Spanish ship-builders are granted a tax repayment of 12 per cent on ships built for registry under Spanish or foreign flags.

5. Government as well as private banks grant credits upto 80 per cent of the value of the ship at rates of interest between 5.75 per cent and six per cent repayable in eight years.

6. Special credits upto 80 per cent are also available for ship building and steel industries for export of their product. The loan to ship-building industry is at an interest rate of 6.5 per cent per annum and the repayment period is seven years.

India

1. Subsidy to the Hindustan Shipyard representing, (i) five per cent of the international price, and (ii) difference between the indigenous and international price of six items restricted to 10 per cent of the international price

2, Loans are granted to shipping companies at the rate of 4.5 per cent much lower than the commercial rates.

3, A tax rebate is provided through a system of development rebate. This allows a company to set up reserves from profits each year upto 40 per cent of the cost of new ships and 20 per cent for second-hand ships. The reserve is maintainable for eight years and the amount credited to the reserve should be equal to 50 per cent of the development rebate. (This has been withdrawn from 1974.

Brazil

1. Merchant marine financing fund set up in 1967 is intended to finance construction of cargo vessels for Brazilian shipping lines engaged in international trade. This fund absorbs the difference between the price of vessels purchased by the shipping lines and the price of such ships if manufactured in western Europe.

2. The Merchant Marine Commission of Brazil also extends loan assistance to Brazilian shipowners for construction of new ships in Brazilian shipyards upto 95 per cent of the price. The loan will be repayable in 15 years.

3. Brazilian government grants credits upto 80 per cent of the ship's cost, at eight per cent repayable over 20 years.

4. Material and equipments for ship-building are exempted from import duty and exemption from tax. Government owned steamship lines pay no taxes on income from ship operations.

Finland

No special assistance rendered except that coast-wise trade is reserved for national flag ships.

Argentina

1. Budget provision made every year for meeting operating deficits incurred by the state fleet and also the river fleet.

2. Subsidy is granted for building modernisation or conversion of ships at shipyards or naval shops. This subsidy would normally not exceed the difference between cost in the country and the average cost if constructed in the western Europe.

3. Subject to approva by the Ministry of Transport loans are granted by the industr bank to private shipown for construction, modernisati repairs of ships in local ya and also for the constructi modernisation etc. of sh yards. The amount m cover upto 80 per cent of t total cost and will be repa able in period ranging fr five to 15 years in case ships depending upon wheth ship is being merely repair or constructed and similar within a period ranging fro five to 10 years in respect shipyards.

4, Interest is charged at fi per cent per annum. This rat and the rate charged by th industrial bank is to be m by the government.

Australia

1. Some subsidy is grante to cover deficits in maintainin certain essential coastal se vices.

2. A subsidy upto 1/3rd o the cost is granted for ship built in Australian shipyard for use in coastal or inland waterways (price comparison i with the British shipyards price).

3. Machinery and equipment used in the construction of ships in Australia may be imported duty free when similar goods are not available locally.

Belgium

1. Government granted a subsidy upto eight per cent of the contract price for ships of 100 GRT and over ordered between 1-1-1968 and 30-6-1969. The ceilings for the subsidy was $ 48 million.

2. There are no direct tax benefits to shipping or shipbuilding but repairs to ships and all working contracts pertaining to ships are exempted from the six per cent tax.

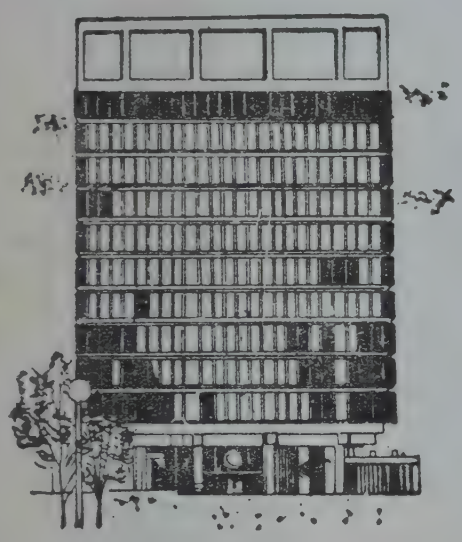
3. Under the 1948 act the minister incharge of shipping is also authorised to advance interest bearing loan to shipping companies for ship building and for renewing or developing maritime equipment (loans may not exceed 70 per cent of the value.)

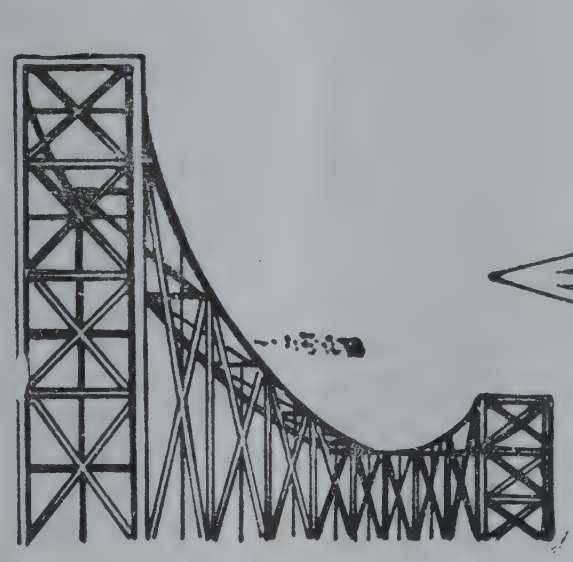
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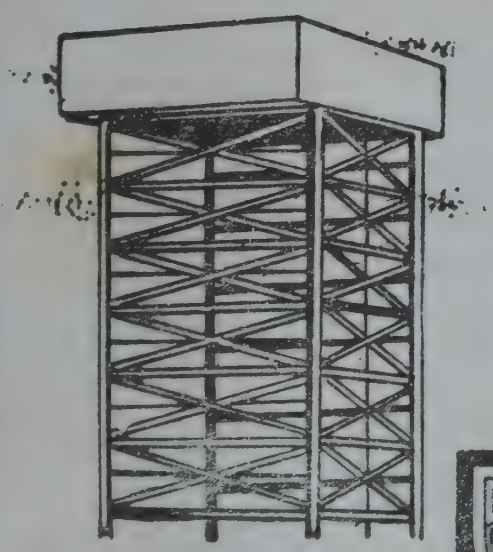
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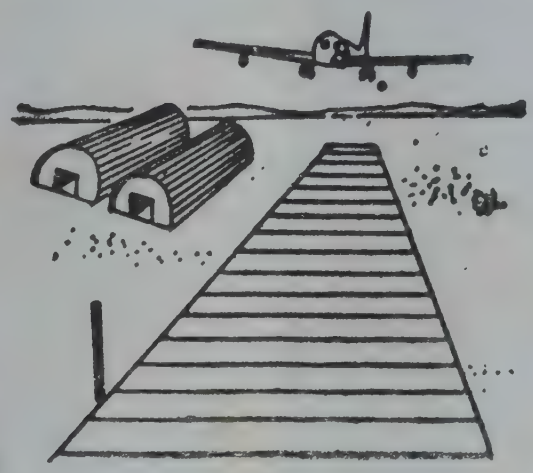
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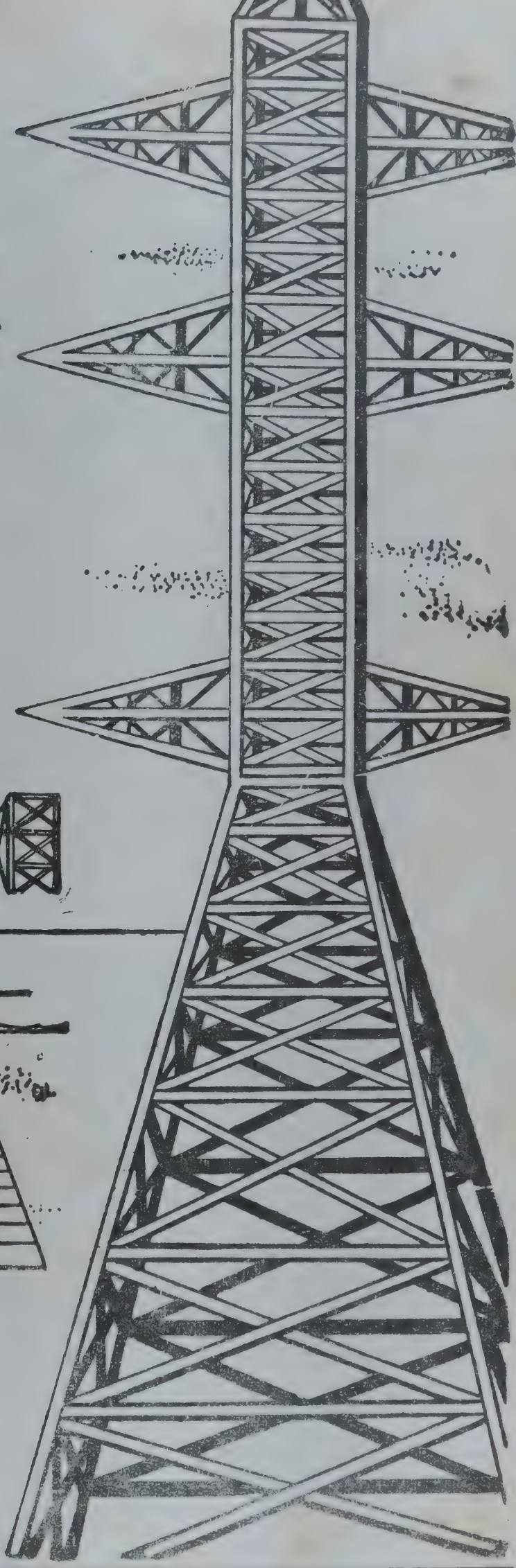
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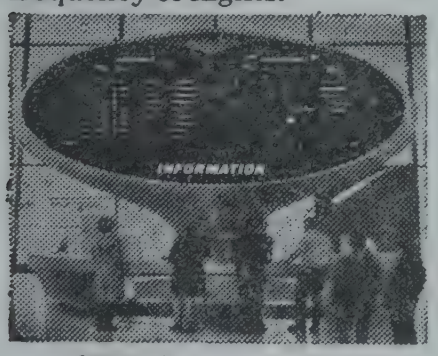
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PM not creator of 'garibi hatao' slogan

Express News Service

NEW DELHI, April 15.

The Prime Minister, Mrs Indira Gandhi, today denied that she had ever given the slogan of "garibi hatao."



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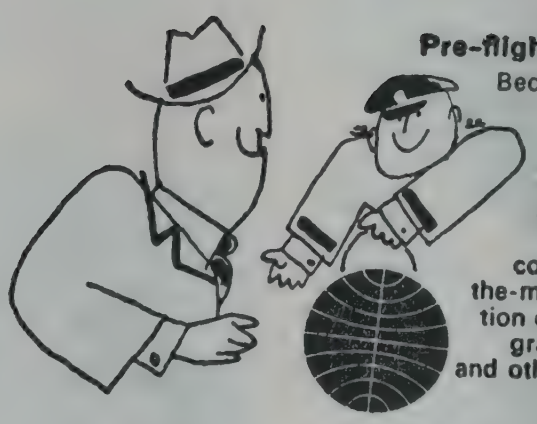
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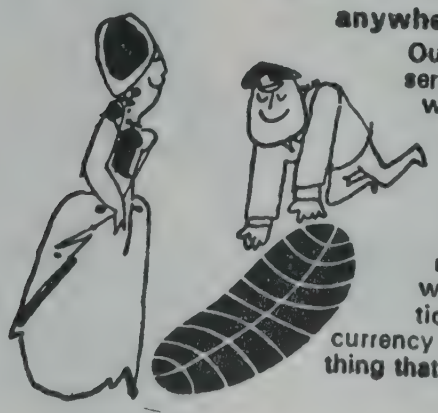
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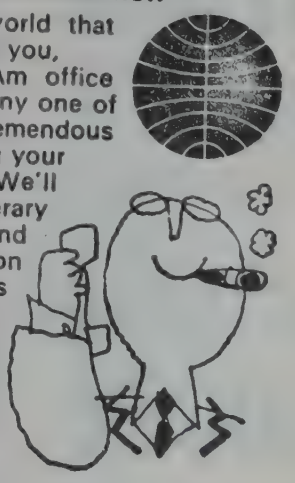
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Pan Am

Gambling with food

THE PRIME MINISTER, in an interview to an American journalist, has once again expressed her adoration of Joan of Arc. One of the many things that were peculiar about The Maid was that she heard, or thought she heard, voices. That Mrs Gandhi herself has always been receiving some very confused counsel has been apparent enough.

Perhaps, the voices which speak to her, or to which she chooses to listen, have never let her down so badly as on this wretched issue of the foodgrain take-over. If the prime minister's thoughts on the subject are at sixes and sevens—as, indeed, they seem to be—her advisers should surely share the blame with her. A few weeks ago, in one of her numerous public utterances, Mrs Gandhi said that the government had not desired to take over the trade in foodgrains, but was forced to do so because of the anti-social behaviour of the wicked middlemen. This is a tale quite different from what we were told before.

Has it not been the contention of the prophets and priests of her party that the high social purpose of distributing justly and fairly the nation's stock of foodgrains among the vulnerable sections of the community could be served only by the government taking over the distribution of food supplies and subsidising to the extent necessary its consumption by low-income or no-income groups? When this is the grand design with which the government is supposed to have set out to socialise the wholesale trade in foodgrains, what is the point in the prime minister now arguing that it is only the unscrupulousness of the traders which has compelled the government to take over the wholesale trade in foodgrains as some sort of a desperate remedy? Her declarations here are on a par with her denying the authorship or even sponsorship of the *garibi hatao* slogan and claiming that she fought two general elections on this slogan only in a fit of forgetfulness.

Then, again, when the stated aim of the take-over of the wholesale trade in foodgrains by the government is to put the middlemen out of business, does it make sense for the prime minister to complain that the take-over is not proceeding smoothly because of non-cooperation on the part of the wholesale trade? How are people to offer co-operation when they have been told that their services are not required? Surely, the assumption on which the government has taken over the wholesale trade in foodgrains is that it does not want the middlemen to be in the picture. This being the case, the prime minister is simply insulting the intelligence of the public when she alleges that the wholesale trade is withholding co-operation from the government in making a success of the take-over. There may be occasions when hangmen have blamed the rope for a bungled act of execution; this is the first time when the hangman is blaming the condemned man for the hanging being messy.

Perhaps only a sense of humour will save the long-suffering public in situations such as this one. The prime minister, in the kindness of her heart, has indeed been most obliging; she has said that, if there is any unemployment among middlemen because of the take-over of the grain trade by the government, she and her colleagues in the government would soon come forward with schemes for rehabilitating the erstwhile wholesale traders by providing them with other jobs. Shades of the goldsmiths who committed suicide in the wake of the Gold Control Order, 1963! We, the people, live and learn—and learn.

In any case is it part of the prime minister's grand strategy for abolishing unemployment that she should first take jobs away from people in order that she may be able to employ them again? We should have thought that there are even otherwise enough unemployed in this country to engage whatever capacity Mrs Gandhi's government may have for creating employment opportunities without her going out of the way to create new unemployment. The minister for Food and Agriculture has assured the country that the *rabi* harvest should bring forth an increase of the order of 3.5 million tonnes in the output of wheat. The government has been shouting from the housetop that, by taking over the wholesale trade, it will be able to ensure better distribution of available foodgrains among the people. Why then is it that, even before the take-over is some days old, the prime minister has found it necessary to assure the country that her government would not hesitate to import foodgrains in order to ensure the success of the take-over? Even as Looking-Glass logic goes, this is bizarre reasoning indeed. In the past the wholesale trade has been blamed for hoarding or profiteering and thereby creating artificial shortages. Today, even with a claimed increase in the output of wheat, the prime minister has already become nervous enough to suppose that imports may perhaps be needed to prevent a possible breakdown in government-

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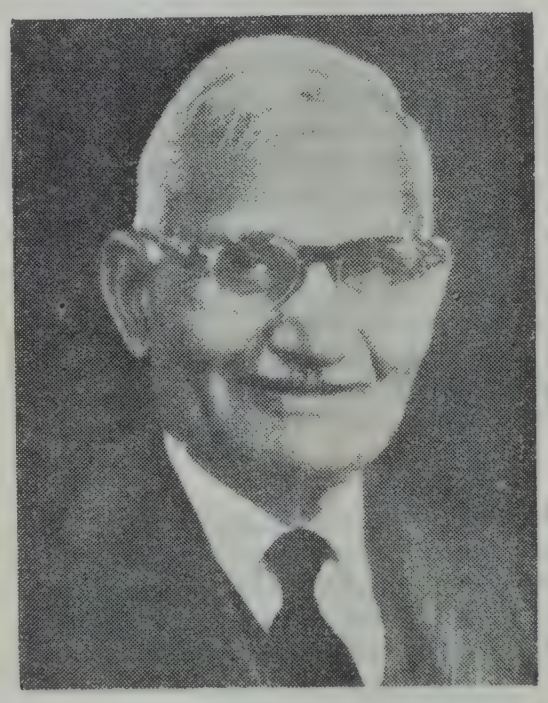
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controlled procurement or distribution of foodgrains.

Mrs Gandhi, in other words, realises already that the take-over is a gamble. The question is whether the government is justified in gambling not only with the livelihood of large sections of the community but also with the economic stability of the country itself. The take-over of the wholesale trade in raw cotton has been a colossal failure, with stocks accumulating in government godowns. The take-over of the distribution of cotton yarn has created choas in the market for this commodity and the handloom weavers, the alleged beneficiaries of this move, have been the worst sufferers. The prime minister herself has become pessimistic about the take-over of the grain trade and has started talking about imports of wheat. Over a number of major industries, such as sugar, is hung the Damocles' sword of the government's adventurist politics. Finally, there is widespread concern in the country as to what new ideological rabbit may be sprung from the magician's hat of the prime minister's party as the general election approaches in Uttar Pradesh. The government has considerably lost in credibility as a responsible organiser of national resources and efforts for solid national development. If in these circumstances, the prime minister were to insist on referring to or recalling Joan of Arc as her own authentic predecessor in the role of a national saviour, the country has every reason to fear the worst. The current food-riots may be only a beginning.

RAMESHWAR DAS BIRLA



Great men are rare and good men rarer still. The late Rameshwar Das Birla was good in every way and great in his own way.

As one of the founding fathers of a great business house, his place in the economic history of our country and, particularly in the chronicles of its industrial development since independence, is assured. But it is not as an aggressive entrepreneur or industrial empire-builder that those who knew him at all would choose to cherish his memory. For Rameshwar Dasji was the gentlest of men. This gentleness was an essential attribute of his innate goodness of which the other most outstanding characteristic was his simplicity. Even in a family noted for wearing its wealth lightly, Rameshwar Dasji was noted for his natural unostentatiousness.

Bombay's business world will never be the same again, for, through the years of his long life, he had been one of its most respected presences. Bombay itself must feel the void, for he used to fill his adopted city, which he loved so much, with wide-ranging works of enlightened philanthropy. Among the many memorials to his gift for giving away is the Bombay Hospital, a well-trusted landmark in the health care map of that city.

Remeshwar Dasji's business acumen had long been a legend among his peers. Politics and public affairs too were natural meat for his agile and analytical mind. There was no room in his intellectual make-up, however, for narrow sympathies, let alone partisan prejudices. His loyalty for the Indian National Congress bravely survived the vicissitudes in the fortunes and the distortions in the character of that organisation in the post-Gandhi and even the post-Nehru period. In recent years he was asking, more himself than others: Whither India? And the answer invariably stretched beyond sadness into faith and hope.

They were four brothers, each contributing magnificently out of his own special genius to the building of one of the most impressive business traditions which have pushed and pulled the country into the modern industrial age. Now they are two. In a blood brotherhood as united as were those four, the lot of the survivors must always be cruelly hard. But Mr G.D. Birla is a *vedantin* while Mr B.M. Birla is a *karma yogi*. Life has been kind to them without spoiling them. They therefore could shake off its slings and arrows too. To them and to Mr M.P. Birla, in the profoundly personal bereavement of the son who has lost his father, I may therefore only say that this journal joins the respectful and affectionate final farewell that thousands of representative citizens of Bombay gave to Rameshwar Dasji last Saturday.

—Editor

Jam for the morrow

THE LESSON of the present crisis in the power situation in Tamil Nadu and indeed in the whole southern region does not seem to have been clearly understood as there are no indications of a sense of urgency in regard to the implementation of continuing schemes and the formulation of new projects which will have to be taken up in the fifth Plan. Indeed, the chairman of the State electricity board, Mr C. G. Rangabashyam, seemed to convey the impression when he recently spoke at the technical session on "captive power plant" organised by the Indian Institution of Plant Engineers, that power shortages would be only intermittent and there would be a distinct improvement in availability when the second minecut at Neyveli takes shape and the Hognekal project also is executed after the discussions now being held as part of the Cauvery waters' distribution arrangements are finalised. But this is jam for the morrow which may be in the early 80s. Even here there is no proper understanding of the massive requirements of the sixth Plan and of how new projects which take a long time to be completed should be taken up.

What is however immediately important is what is proposed to be done for overcoming an extremely difficult situation throughout the fifth Plan period. Neither the union ministry of Irrigation and Power nor the state electricity boards in the region appear to comprehend correctly the future needs of the different states and the importance of co-ordinating the activities of the four state electricity boards. Tamil Nadu and Andhra Pradesh particularly are hopelessly placed in regard to power availability in the next three years though it might be said that Tamil Nadu's shortage is at a much higher

level and its difficulties have arisen because of the compulsion created by the centre to depend on imported power from Kerala and Mysore and the unexpected suspension of supplies by the last mentioned state. Andhra Pradesh, of course, had been lethargic in the earlier stages of power planning and it can hope to overcome its difficulties only if there are regular additions to hydel and thermal capacity.

The union ministry of Irrigation and Power has no doubt been adopting a helpful attitude latterly and it has been decided that the generating equipment needed for the Nagarjunasagar pump storage scheme and for the Sharavathi project in the final stages of phase I and for phase II should be imported. The three giant sets required for the first stage of the Idikki project are also in sight. In fact, these sets are lying idle for a long time as the progress of work on the dam and allied facilities has been seriously held up due to frequent labour trouble. It is now only expected that power may be available from this source by the end of next year or early in 1975. The Kalinadhi project is also being executed briskly in its first phase with full assistance provided by the centre. However, Mysore cannot expect to derive any power from this source before the middle of the fifth Plan.

These big hydel schemes cannot however add to the generating capacity of the region by more than 1100 mw against the total needed for a six-year period of 5,000 mw. There will, of course, be work on the second minecut in Neyveli, on new schemes in the Upper Krishna basin in Mysore, on the subsequent phases of the Kalinadhi project and on the Hoganekal project too. But these schemes which will be making a sizable contribution can fructify only in the early years of the sixth Plan. As Mysore will be requiring fully power from the new units in the Sharavathi and Kalinadhi projects, Kerala may be the only state which will be in a position to spare some quantities of power and that too only if the second phase of the Idikki project is taken up without any break. In this manner another 390 mw of hydel capacity will become available. Andhra Pradesh can overcome its difficulties to a great extent if besides the Nagarjunasagar pump storage scheme the Srisailam project also is briskly executed.

It will therefore be clear that Tamil Nadu cannot take it for granted that imported power will be available even on the former scale from Mysore. Kerala may at best be providing 150 mw of capacity for export purposes if there are no monsoon failures. The state planning commission however has proposed in its draft of the fifth Plan document that only 1125 mw of new capacity will be created against the anticipated deficit of 2463 mw by the end of the Plan. The spill over and new hydel schemes will be accounting for 315 mw of capacity, thermal schemes for 510 mw and the Kalpakkam atomic power project for 300 mw. The deficit of 1338 mw of capacity is expected to be overcome by imported power and, if it is not available, by a staggering of loads and a discouraging of power consumption in some directions.

The hydel schemes under construction and those under contemplation in Tamil Nadu cannot make any big contribution to power availability in the immediate future as they are not large and only some small schemes are in various stages of construction. In some cases work can be taken up only if there is an agreement on the sharing of river waters and of power generated with the Kerala government and the Tamil Nadu Electricity Board. There will therefore have to be creation of thermal capacity in a big way in different centres. It has however been proposed that only the fifth set of 110 mw should be erected at Ennore besides two sets of 200 mw each at Tuticorin and Mettur. Kalpakkam is expected to provide 300 mw as stated above. This project however may not go on stream before 1977 and the second set may be in operation only in 1978. It is therefore necessary to think of expanding the capacity of Ennore from the existing level of 340 mw (the fourth unit is scheduled to be commissioned shortly) to 740 mw at least with the erection of two units of 200 mw each.

As it is unlikely that these giant units will be available from indigenous sources before 1977, arrangements will have to be made for importing them from Czechoslovakia or other sources. If any delay will be involved, 110 mw units should be installed simultaneously at Ennore, Tuticorin and Mettur until such time as 200 mw units are imported.

Some time can be gained by activising the capacity of Neyveli thermal station with an improvement in lignite raisings and with the conversion of two 50 mw boilers to oil firing from lignite base. But without continuous expansion of Ennore and immediate action for starting work at Tuticorin and Mettur, an unmanageable situation may arise in 1974-77. It is only to be hoped that the draft of the fifth Plan document of Tamil Nadu will be suitably revised and the state government will be successful in impressing on the centre the need for executing on an urgent basis new thermal projects, of course as part of the whole programme for the southern region,

Investment in W. Bengal

THE GOVERENMENT of West Bengal has launched an intensive publicity campaign to persuade entrepreneurs to invest in the state. Through full-page advertisements in the newspapers and through other media, the government has been publicising the opportunities that are available for setting up industries in West Bengal and the various incentives and facilities offered to the entrepreneurs. Mr Tarun Kanti Ghosh, the minister for Commerce and Industry, has shown considerable initiative and enthusiasm in wooing investors to West Bengal. The Industrial Development Corporation has now been reorganised and its finances have also been substantially augmented.

The government of West Bengal has claimed that during the last one year, the total investment proposed by the entrepreneurs is worth over Rs 500 crores compared to only eight crores of rupees during the period between 1967 and 1971. This would seem a commendable achievement. But it is not known how many of these proposals have come from entrepreneurs who are really serious in implementing them. Even if all of them are quite keen to go ahead with their schemes, the state does not have all the power that they may require.

The advertisement issued by the West Bengal Industrial Development Corporation refers to the "wonderful infrastructure" existing in the state. Though in some respects West Bengal is well endowed with infrastructural facilities, the serious and persistent shortage of power has been the biggest obstacle to industrial expansion. Power scarcity has been prevailing in many parts of the country in varying intensity. But in West Bengal this problem has become very acute at a time when a large number of industrial units which had closed down have been re-opened, many sick units have been revived, and efforts are being made to set up new industries especially in the backward areas.

In January this year, the state government introduced a scheme of power rationing. It was thought that as a result of this step, it would be possible for the industries to work without frequent

interruption of power. But this expectation has not materialised. Load shedding continues to take place suddenly and extensively, causing considerable loss in industrial production and damaging costly plant and machinery. Even the units which have to work on a continuous basis have been hit severely due to the abrupt interruption of power. The jute, engineering and various other industries continue to complain about the adverse impact of the power cuts on production, exports, as well as on the labour relations. But the state government has been unable to evolve a rational rationing scheme to provide some relief to industry. The Power minister, Mr Ghani Khan Chaudhuri, has announced that there will be no noticeable improvement in the power supply position until May 1, this year when all the four units of the Bandel power plant will start operating. But informed sources seem to think that for several months ahead, power supply will continue to be precarious. The daily shortage of power varies between 70 mw and 100 mw.

In this background, it is difficult to see how the West Bengal government expects "spectacular industrial revival" in the state. It will be an achievement indeed if the government can ensure that the existing industries are able to make effective use of their capacity.

But in the absence of new industries coming up in large numbers all over the state, it will be impossible to tackle the huge problem of unemployment. The Industrial Development Corporation has already taken the initiative in setting up six new projects for the manufacture of nylon filament yarn, automobile tyres and tubes, cement, television sets, scooters and alloy steel. It is necessary to implement these schemes expeditiously. It is equally important to persuade entrepreneurs to set up industries in the backward areas of the state by speeding up the development of infrastructure including electricity, water, road connections with the national highways, railway sidings and underground drainage.

Till recently only one district, namely, Purulia was eligible for the central government's subsidy of 10 per cent on the capital expenditure on the projects to be set up there. Now this subsidy is available to two more districts—Midnapore and Nadia. The government of West Bengal also offers certain incentives such as 75 per cent contribution towards the cost of feasibility study and project report; refund of sales tax as interest-free loan to be recovered after 18 years; power subsidy up to 30 per cent; subsidy on water rate, return of octroi duty as grant; and other facilities like term loans and bank guarantee. The government of West Bengal should compare these incentives with those offered by other states and try to make them more effective.

The government of West Bengal has set up a Petrochemical Corporation, an Electronics Corporation and a Mineral Development Corporation. There is, indeed, enormous scope in West Bengal for setting up these and many other industries. The state government therefore should give the top priority to the expeditious completion of the various projects for augmenting the generation of power and, meanwhile, the efficiency of the existing plants should be toned up to enable them to maximise their production.

It is also important to create suitable conditions in the state in order to facilitate the larger business houses to set up industries in the backward districts. Mr Siddhartha Shankar Ray's attitude towards these houses continues to be influenced by suspicion and distrust. Unfortunately, the youth organisations in West Bengal have also started a campaign to discredit the monopoly houses. Mr R. Venkatraman, a former member of the Planning Commission, recently declared that if a survey was undertaken to ascertain the opinion of the country's youth on the government of India's policy towards the monopoly houses, the verdict would be overwhelmingly against New Delhi's attitude. Mr Venkatraman said that the youth were interested in finding employment opportunities and that they would oppose any ideology which resulted in the restrictions on the monopoly houses.

Mr Venkatraman, however, does not seem aware of what is going on in Calcutta. Here the youth are being incited to whip up public opinion against the monopoly houses. On April 12 the Youth Congress organised a 24-hour mass squatting in front of the offices of some of the big industrialists in Calcutta. According to a report published in the *Hindustan Standard* of April 13, Mr Priya Ranjan Das Munshi, a youth leader and Member of the Lok Sabha, called for the social boycott of monopolists. He suggested that those who attended dinners given by the monopolists should also be boycotted. Further, he said that no one should share the bench occupied by the children of the monopolists at schools and colleges. Mr Sudip Banerjee, president of the state Youth Congress, said that black signboards should be hung in front of the houses of the monopolists, describing them as "enemies of the people".

Mr Ray's ministry came to power—and remains in office—mainly because of the tremendous support from the youth. But if the youth are so vehemently opposed to the monopoly houses, how is Mr Ray going to accelerate the state's industrial development? The problem of unemployment in West Bengal continues to be as acute as before though no one seems to have a clear idea of its magnitude. The West Bengal Planning Board has estimated that the number of persons "fully unemployed" in the state in 1972 was 2.8 millions while, according to the Calcutta Metropolitan Planning Organisation, the number of "unemployed persons" in the last year was about 4.5 millions. Whatever may be the exact figure of the number of jobless persons, this state can hardly afford to go slow with its programmes of industrial development. The industrial policy announced by the government of India in February this year as well as the import policy for 1973-74 provides many facilities for setting up small-scale industries. This then, is the right time for the West Bengal government to create the climate congenial for investment so that the state can make up for the neglect of the past few years and make rapid strides in industrialisation.

Snail's pace in shipping

In its 29th report, the Committee on Public Undertakings (CPU) of the Lok Sabha has drawn pointed attention to the sluggish progress of shipping in this country and has come to the conclusion, after analysing the available information, that it would not be possible to attain the fourth five-year Plan target of 4.0 million GRT in 1973-74. As on October 1, 1972, the total operative tonnage was around 2.59 million GRT while nearly 0.22 million GRT was expected to be scrapped during the current Plan period. Thus, this country would have shipping tonnage equivalent to 2.37 million GRT at the end of the Plan period plus whatever would be delivered consequent upon the firm orders equivalent to 1.5

million GRT already placed with suppliers. The latest estimates indicate that there is a strong possibility of our having 3.5 million GRT at the end of the Plan period while about 0.5 million would be on order. The CPU is right in criticising the government for having failed to take concerted action to achieve the target fixed in the fourth Plan.

It is recognised by the government that shipping is one of the most profitable ways of earning as well as saving foreign exchange though all its efforts since independence have resulted in acquiring shipping tonnage enough to carry only about one-fifth of our cargo in overseas trade. The reservation of coastal trade for our shipping, setting up of the Shipping Corporation of India (SCI), development of ship-building industry in the public sector, grant of preference to Indian ships in the allotment of government-controlled cargoes and the setting up of the Shipping Development Fund (in 1959) were some of the measures taken to encourage shipping in this country but their cumulative effect has not been strong enough to meet the rising demands of this country.

What went wrong in the scheme of things worked out by the ministry of Shipping and Transport regarding the acquisition of new shipping tonnage? The CPU was informed that there were three basic reasons why this country had not been able to acquire all the ships that it wanted to have. They were: (i) boom in the shipyards of the world with the result that they were unable to cope with the growing requirements of tonnage; (ii) the prices of ships had shot up during the past three to four years; (iii) shipyards were insisting on cash payments. Earlier deferred payment facilities were available which implied down payment of 20 per cent while the balance 80 per cent could be paid when the ship was afloat and in a position to earn. Moreover, the shipyards are no longer in a position to commit themselves for the sale of ships at fixed prices. All new agreements have an escalation clause which implies that the price of a ship would automatically increase with a rise in international prices of raw materials and components.

The CPU has rightly recommended that the government should provide all possible facilities to the SCI so that it might be able to achieve the target which it has set before itself. The SCI had in September 1972 its own tonnage of 0.86 million GRT while it had ordered no less than 39 ships of a little more than a million GRT. The government hopes that all these ships on order would be delivered by 1975. According to current computations, the SCI would have total tonnage of the order of 1.9 million GRT in 1975 as against the earlier target of 1.55 million GRT. The loan of $ 83 million sactioned last year by the International Development Association (IDA)—the soft-lending affiliate of the World Bank — will be utilised by the SCI in financing the purchase of six tankers needed for the import of crude oil and petroleum products. Incidentally this was the largest loan sanctioned by the World Bank Group for shipping. For the IDA, it was the first credit in shipping. Efforts need to be made for additional credits from international institutions so as to strengthen shipping in this country.

Setting aside for a moment the tardy progress which has been made by shipping in our country in the past, it is necessary that a firm programme should be chalked out for the future. It should be possible for this country to be able to plan about the type and sizes of ships that it would need in the coming years. Keeping in view the operational requirements, efficiency and economy of operations, the recommendation of the CPU regarding a phased programme for replacement of old ships merits consideration. This will be possible only if a close liaison is kept between the SCI and the shipyards. The shipyards would then take up the building of ships in accordance with the requirements of the SCI and also keeping in view the latest technological developments. The efforts of the shipyards will have to be supplemented by essential imports of ships. According to the ministry of Shipping and Transport, a standing committee for co-ordinating the activities of the shipyards is already functioning. The primary function of this committee is to review the programmes of shipyards for ensuring optimum utilisation of the building capacities. This committee will however have to show increased vigilance in the coming years as the fifth five-year Plan target of 10 million GRT will imply almost trebling the total shipping capacity in five years.

A disturbing element which has been noticed in recent years is the absence of synchronisation between the development of port facilities and the acquisition of new ships. For example, the SCI had acquired two large-sized tankers — M T Jawaharlal Nehru in September 1969 and M.T. Lal Bahadur Shastri in June 1970 — for Madras port whose construction fell behind schedule. Consequently, the SCI had no option but to charter them out while crude needed for Indian refineries had to be brought to this country in foreign ships. It is a minor consolation that we earned some foreign exchange by chartering out these tankers and that the Madras port was ultimately ready to receive these tankers early this year. The lesson to be learnt from this instance is that the development of ports and the purchase of ships should go hand in hand so that huge funds are not unnecessarily locked up. It is necessary for the ministry of Shipping and Transport to chalk out an integrated programme for the development of ports and shipping in line with the expected growth in foreign trade.

An interesting aspect of the report of the CPU under review is that out of 34 recommendations made by it, as many as 23 have been accepted by the government. Out of the remaining 11, the CPU does not desire to pursue eight in view of the replies furnished by the government. Only two recommedations have not been accepted by the government while the reply to one—relating to the withdrawal of the development rebate—is still awaited. The CPU has suggested that in view of the importance of shipping for mercantile trade and as a second line of defence in an emergency, the plea of the SCI for the retention of the development rebate deserves sympathetic consideration. In his budget speech this year, Mr Y. B. Chavan had indicated that the development rebate would be replaced by 20 per cent initial depreciation allowance in selected industries and, it is believed, shipping would certainly be included in the approved list of industries. This concession may not turn out to be as good as the earlier one but it shows that anxiety of the government not to let this industry down. Shipping has grown in strength in all the maritime countries of the world under the stimulus of concessions provided by the state. The facilities provided by different countries were listed in *Eastern Economist* last week (pages 833-34). There is a wide range of concessions given by all countries for the promotion of shipping; in our country this vital activity should not be allowed to suffer for lack of facilities and special assistance.

Consumers cooperatives in the fifth Plan

K. K. Taimni

IT PASSES one's understanding as to how, with a gross Plan outlay of Rs 25 crores (the net outlay after making adjustments for the recoveries of the outstanding government loans and contribution towards share capital of Rs 13.84 crores made during the third and fourth Plan periods will be of the order of Rs 18 crores only) for the fifth Plan period, the Working Group on Co-operation appointed by the government of India, to prepare the draft fifth Plan, expected to raise the retail turnover of the consumers co-operatives from Rs 275 crores (anticipated) at the end of 1973-74 to Rs 750 crores at the end of 1977-78.

The Approach Paper prepared by the Working Group on Co-operation rather pompously proclaims: "Consumers' Co-operatives should aim at capturing an increasing share of the consumers trade of about Rs 700 crores for urban consumers co-operatives.....", and then without giving any logical explanation, goes on to state "that for the contemplated programmes of development of consumers co-operatives during the fifth Plan period, an outlay of Rs 25 crores may be required for urban areas....."

The development and growth of consumers co-operatives in the coming years, especially in view of increasing concern of the government with the development of effective national public distribution system, assumes great significance. The government rightly envisages a pivotal role for "Consumers Co-operatives in the task of stabilisation of prices, which is vital to the country's economy". It therefore becomes all the more essential that a realistic approach be adopted, while planning for their development and consolidation, if these organisations are to prosper in the future.

Because of the structural malformation and semantic confusion, the two lower tiered organisations within the four tiered consumers co-operative movement, in the country, have been operating at the retail level and if their performance during the last five years is any guide, Krishi Bhavan is surely cry-

TABLE I

Operations of Consumers Co-operatives

(Rs in lakhs)

Year	No (units)	Working capital	Share capital	Out of 4 contributed by the Govt.	Total borrowings at the end of the year	Sales						Ratio of working capital to retail sales
						Wholesale			Retail			
						Food-grains	Others	Total	Food-grains	others	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13
Wholesale Stores												
1965-66	272	2109	443	235	1,421	6,962	5787	12749	2024	1173	3197	1:1.5
1966-67	371	2998	809	466	1,207	7,757	5867	13624	2932	2460	5392	1:1.8
1967-68	385	3896	1023	644	2,501	7,487	5756	13243	2410	3222	5632	1:1.4
1968-69	387	3692	1146	749	2,114	5,887	3468	9,355	2414	4532	6946	1:1.9
1969-70	383	3535	1075	701	1,824	5,084	2979	8,063	2623	4698	7271	1:2.0
										Average		1:1.7
Primary Consumer Co-operatives												
1965-66	13077	1798	616	66	719				9824	5185	15009	1:8.3
1966-67	13837	2063	730	90	829				12392	5830	18222	1:8.8
1967-68	13950	2196	767	107	835				11295	5838	17133	1:7.8
1968-69	13913	2144	772	133	722				9953	6160	16113	1:7.5
1969-70	13572	2299	818	139	609				9924	6676	16600	1:7.2
										Average		1:7.9

Source. RBI Statistical Statements relating to the co-operative movement in India

ing for the moon, if it considers the target of Rs 700 crores to be within its reach. One gets the impression that there is perhaps a deliberate attempt to ignore the facts to suit the current political climate. One cannot surely believe that the Working Group seriously considered the possibility of increasing the retail business of consumers co-operatives almost three-fold by making a gross outlay of Rs 25 crores for the fifth Plan period. The clamour for an effective distribution system to stem the rise in prices, in inflationary conditions, perhaps led the authorities to indulge in make-believe.

The following discussion reveals, that in the past, there had been a close relationship between the share capital of the consumers co-operatives, and their retail sales and a marginal increase in the capital can at best marginally increase the turnover of these organisations.

Table I (p. 844) gives the performance of primary consumer co-operative societies and the wholesale co-operative consumer stores over a period of five years at the retail level. It reveals a steady trend in that the average ratio of total retail sales to the working capital is 1: 1.7 for wholesale stores and 1: 7.9 for the primary stores. The higher ratio at the primary level is partly on account of financial support given to it by the wholesale structure within the movement. If however, the figures for the working capital and the retail sales for wholesale stores and the primary level stores are combined a clearer trend is discernable (see Table II).

Since any increase in the capital bound to improve the borrowing capacity of these organisations, it will be useful to study the relationship between th share capital and borrowings during th last five years. Table III shows that th ratio of share capital to borrowings ha been 1: 1.6 and that of borrowings t working capital 1: 2.0. In other words if the share capital of these organisations increases by five crores of rupees the borrowings will increase by eigh crores of rupees, and the combine working capital by Rs 16 crores.

Such details as are available of th break-up of the outlay of Rs 25 crore proposed to be provided to the consumers cooperatives during the fifth Pla period point out the fact that only a outlay of Rs 7.5 crores out of the tota outlay of Rs 25 crores will be availabl

TABLE II

Combined Working Capital and Retail Sales of Consumers Co-operatives

(Rs in lakhs

Year	Combined working capital	Retail sales			Ratio of 2 to 5
		Foodgrains	Others	Total	
1	2	3	4	5	6
1965-66	3907	11848	6358	18206	1:4.6
1966-67	5061	14324	8290	23614	1:4.7
1967-68	6092	13705	9060	22765	1:3.7
1968-69	5836	12367	10692	23059	1:3.9
1969-70	5834	12547	11324	23871	1:4.1
				Average	1:4.2

Source: RBI Statistical Statements relating to the co-operative movement in India

TABLE III

Combined Working Capital, Share Capital and Borrowings of the Wholesale and Primary Consumers Co-operatives

(Rs in lakhs

Year	Combined share capital	Combined borrowings	Combined working capital	Ratios		
				2 to 3	2 to 4	3 to 4
1	2	3	4	5	6	7
1965-66	1047	2140	3907	1:2.0	1:3.7	1:1.8
1966-67	1539	2685	5061	1:1.7	1:3.3	1:1.9
1967-68	1790	3338	6092	1:1.9	1:3.4	1:1.8
1968-69	1918	2837	5836	1:1.5	1:3.0	1:2.0
1969-70	1893	2434	5834	1:1.3	1:3.1	1:2.4
			Average	1:1.6	1:3.3	1:2.0

Source: RBI Statistical Statements relating co-operative movement in India

for contribution towards the share capital of consumers co-operatives operating at the retail level (see Table IV).

A major factor that has a crucial relevance to our discussions here, relates to the policy of the government with regard to recovery of loan and share capital made available to the consumers co-operatives during the third and fourth Plan periods. If the recoveries of these amounts are effected on the basis of the actual terms of advancement, as is most likely, then a sum of seven crores of rupees out of Rs 13.84 crores (Rs 8.40 crores as share capital and Rs 5.44 crores as loans) of the government capital outstanding against the consumers co-operatives at the end of 1969-70, will be recovered during the fifth Plan period. Thus the net outlay for the development of consumers co-operatives is unlikely to exceed Rs 18 crores. Out of this amount, five crores of rupees only (as against gross outlay of Rs 7.5 crores) will be the net amount available as government contribution towards the share capital of the co-operatives operating at the retail level. Since there is no proposal to organise new consumers co-operatives in the future and most of the funds will be spent on rehabilitating the existing units, it is extremely unlikely that there will be any appreciable increase in the individual, members' share capital.

We have seen earlier, that an increase in share capital of five crores of rupees may result in an increase in working capital by Rs 16 crores and in the retail turnover by approximately Rs 70 crores (Table IV) although it is extremely unlikely, because of continuous losses in many units. Capital formation may not take place at the same rate, and many institutions may not be in a position to build reserves as in the past. Thus the total retail turnover of consumers co-operatives, given the existing outlay, is unlikely to exceed Rs 320 crores against the target of Rs 700 crores even by the end of fifth Plan. This is really ironic, for a retail turnover of Rs 400 crores was the original target fixed for the consumers co-operatives for the period ending 1973-74.

TABLE IV

Fifth Plan Outlays for the Development of Consumers Co-operatives

Particulars of contribution to be made towards share capital of units at the retail level.

Scheme	Rs crores
1. Strengthening and expansion of primary consumers co-operatives	1.00
2. Opening of new consumers stores branches	0.50
3. Rehabilitation of weak, wholesale department stores (estimated)	1.50
4. Establishment of new department stores and other retail outlets (estimated)	
(i) department stores	2.50
(ii) large sized retail outlets	3.00
Total	7.50

deteriorating standards

With the all round general deterioration in the working of the consumers co-operatives in most parts of the country, abysmally poor performance of these organisations in all except four states of the country (Maharashtra, Tamil Nadu, Kerala and West Bengal) accounted for nearly 60 per cent of the total retail sales of the consumers co-operatives in 1969-70), and with the takeover of the wholesale trade of foodgrain by the state, it will be safe to anticipate that the pace of progress of these organisations, in the absence of qualitative changes in the role of the federal organisations, the existing policy frame and the structure of the movement, will not be the same as was witnessed during the third and fourth Plan periods. Under the circumstances one is inevitably led to the conclusion that given the existing pattern of state assitance and the predominance of business in controlled commodities, the actual total retail turnover of consumers co-operatives in consumer articles by the end of fifth Plan period is unlikely to exceed even Rs 300 crores. (In the anticipated sale of Rs 250 crores by the end of the fourth Plan, a turnover nearly of Rs 15 crores in non-consumer articles such as fertilizer, agricultural implements and other agricultural inputs, mostly through the marketing societies in the state of Tamil Nadu is also included).

The proposed retail turnover target of Rs 700 crores fixed for these organisations is unexceptional, in that only by an increasing coverage of retail market, the consumers co-operatives can make their presence felt and effectively work for protecting and promoting interests of the hard pressed consumer. But the strategy outlined in the approach paper of the Working Group on Co-operation and the meagre financial outlay of Rs 25 crores proposed by it for their development, are unlikely to achieve this target. Moreover, if the monsoons remain favourable and the sugar production goes up, as is likely, many of these organisations in the absence of a calculated measure to develop them as a part of nation-wide consumers' movement, are likely to close down. Whatever institutional framework that exists would in that case disappear.

The recent pronouncements of the political leadership about taking over the wholesale trade in essential commodities and the pressure on the government to develop a network of fairprice shops in the country for distribution of essential commodities, throw a challenge before these organisations. Once the state intervenes in a manner which deprives these organisations of the wholesale business in essential commodities, it is likely that they may face a deep crisis of identity, for business only in essential commodities will be inadequate even for the survival of many consumers co-operatives in the country. Moreover the question may also arise: What is the relevance of the consumers co-operatives to the community?

two subsystems

It is in this context that the suggestion to develop an integrated consumers co-operative movement consisting of two sub-systems—one exclusively for procurement, storage and distribution of 'essential groups of articles', and the other for the 'consumers groups of articles', i.e. semi-durables, and durables—should be viewed. The country has to live with the system of fair price shops and consumers co-operatives cannot shirk their responsibility on this score. The very imperative of its survival, the need to retain relevance to the community, and similar other factors make it inevitable that the co-operative movement and the state chalk out a two-pronged strategy, for the growth and development of consumers co-operatives in the country.

The alternative strategy should aim at building up a countrywide network of retail outlets for distribution of essential commodities including those which may be brought under rationing. This network should also extend, unlike

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as at present, to the rural areas and all section of the commodity should be brought under its fold. Close link-up with service co-operatives may be established for those rural areas, where separate co-operative fair price shops cannot be opened because of economic or similar other (excluding ideological) considerations.

These retail outlets should form a part of the large, preferably district level primary consumers co-operatives (whose number should be brought down to 300 or so from over 9000 existing primary and wholesale units, by rationalising the existing structure at the retail level, i.e. by amalgamation, consolidation and if necessary even by liquidation). The existing state federations of consumers co-operatives may then be entrusted with the task of procurement, storage and distribution of 'essential groups of articles' for these fair price shops only. Thus, these shops should become mere distribution centres and should be free from all other operational problems.

Simultaneously attempts may be made to develop large sized retail units in all major urban centres of the country for selling those 'consumers groups of articles', which ordinarily a lower middle class family, within the monthly income range of Rs 300 to 800, needs. The super bazars and other large sized retail shops should be brought together to form a countrywide chain of co-operative shops selling these consumer articles. Many more such shops may have to be set-up in uncovered areas in order to enable the National Co-operative Consumers Federation to handle a given minimum business as may enable it to make an impact in the market. Although these shops will also form part of the revitalised district level primary consumers co-operatives, the decision-making process in many operational matters like selection of assortment, purchasing, storage, transportation, pricing, publicity, and advertisements, will have to be transferred from these primary units to the National Co-operative Consumers Federation, which should have these primaries as its direct members. The need to develop a unified decision-making process for the entire movement can best be appreciated, when it is realised that the market and the monopoly houses will respond to the demand of the consumers only when their purchasing power is pooled, built and institutionalised in the market within a single organisation and that in the circumstances can be the National Co-operative Consumers Federation alone.

It is only when this dual distribution system with distinctly defined roles for the federal organisations is developed and a link-up with a country-wide public distribution system is built, that the consumers co-operatives will be able to look forward with confidence and hope.

Such structural changes as have been proposed can materialise only if a wider perspective of the emerging market environments is perceived and substantially higher Plan outlay than what has now been proposed is provided for the development of the consumers co-operatives during the fifth Plan period.

The proposed outlay and the strategy for their development is unlikely to prove productive and helpful in strengthening the movement and achieving the targeted turnover of Rs 700 crores by the end of the fifth Plan period.



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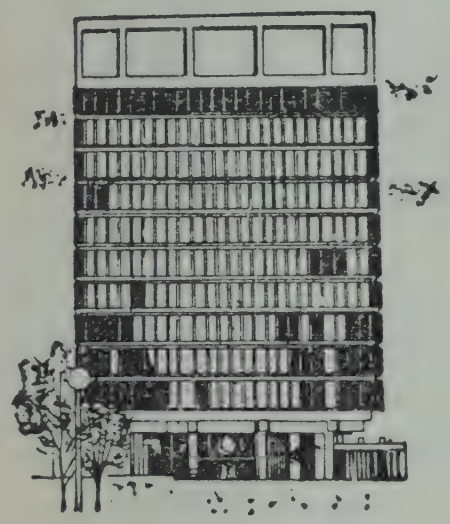
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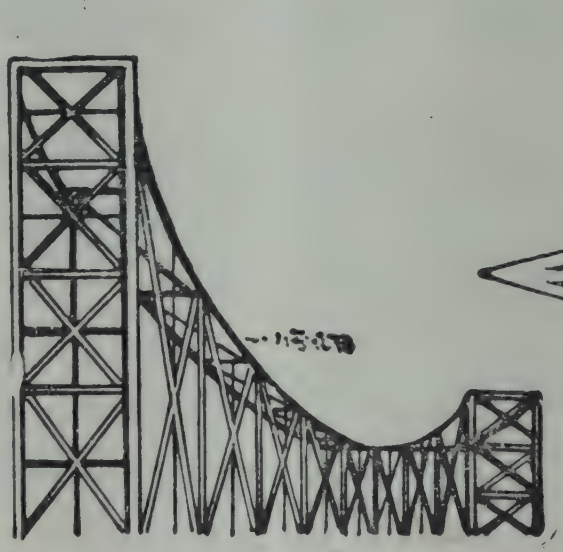
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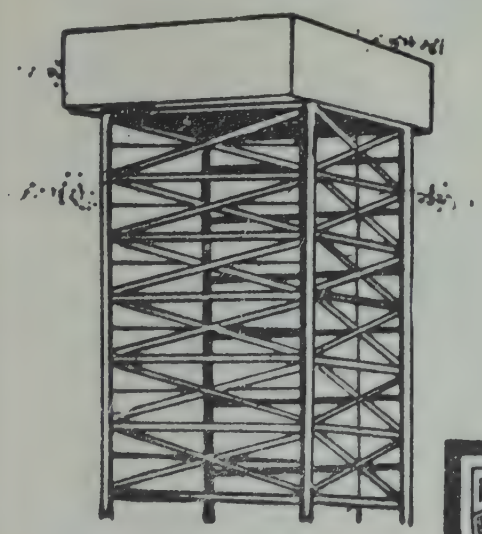
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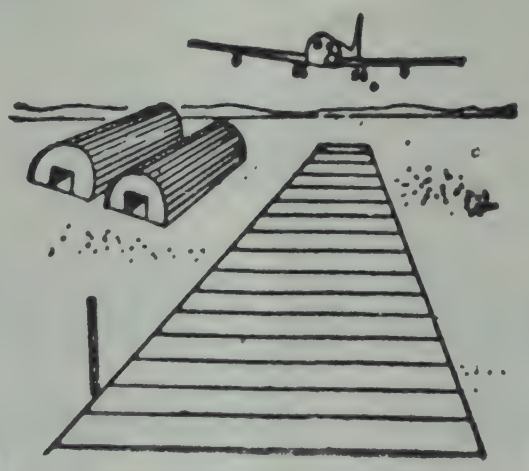
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Indal and its expansion

R. C. Umma

THE ANXIETY of Indian Aluminium Company (Indal) to commission the 20,000 tonnes expansion of its Belgaum smelter —from the present capacity of 40,000 tonnes to 60,000 tonnes—early in 1974 is a clear indication of how unsatisfactory is the proposal of the union minister for Finance, Mr Y. B. Chavan, to replace development rebate by an accelerated depreciation allowance of 20 per cent of the cost of machinery and plants to be installed in selected industries after May 31, 1974. That Indal will be able to achieve its objective well before the provision of development rebate for expansions of the existing capacities and setting up of new units in industries of crucial importance to the economy, expires on May 31 next year, should be evident from the fact that it has already to its credit the commissioning of a 40,000 tonnes capacity integrated alumina-cum-metal reduction project at Belgaum in about 27 months of the breaking of ground. Its 11,500 tonnes capacity highly sophisticated and modern sheet mill at Taloja, about 65 kms from Bombay, which is based on supplies of primary aluminium from the Belgaum project, too was completed, except for the heavy slitter ordered on the Heavy Engineering Corporation, Ranchi (which unfortunately has yet to reach the site), within a period of slightly more than two years. A recent visit by this reporter to Belgaum, Taloja and Kalwa (approximately 4.5 kms. from Thana—a suburb of Bombay), where Indal's paste and foil plant, which is capable of producing annually 800 tonnes of blown powder, 800 tonnes of paste and dried filtercake and 2,500 tonnes of foils (net metal) is located, revealed that the expansion of the Belgaum smelter is already under implementation and the work of augmenting the fabrication facilities to the extent warranted by the increase in the smelting capacity has been taken in hand.

two complexes

Indal has two aluminium manufacturing complexes—one on the east coast and the other on the west coast. The east coast complex comprises the sheet mill at Belur, near Calcutta, an alumina manufacturing unit at Muri (Bihar) based on Lohardega bauxite mines in that state, and the Hirakund smelter (Orissa). The west coast complex includes alumina production at Belgaum (Mysore)—based on the bauxite resources at Chandgad (Maharashtra) and Betne (Mysore), about 40 and 20 kms. respectively, from Belgaum—two smelters at Belgaum and Alupuram (Kerala), the extrusion and properzi plants at Alupuram, the sheet mill at Taloja and the blown powder, paste and foil plant at Kalwa. The latter is the new complex.

Starting its manufacturing operations in India in 1939 (the company was registered in West Bengal on December 17, 1938) with the Belur sheet mill, based on imported metal, Indal thus has come a long way. It now has a capacity to produce over 90,000 tonnes of aluminium per annum of which about 35,000 tonnes are fabricated into a wide range of semi-finished products like sheets, extrusions, foils, powder and paste. It has put up facilities at Belgaum—for the first time in the country—for the recovery of cryolite from the failed pot linings.

small setback

During the last calendar year (1972), Indal produced 75,581 tonnes primary aluminium—nearly 45 per cent of the total output in the country—26,187 tonnes rolled products, 4,457 tonnes extruded products, 10,203 tonnes properzi rods, 2,392 tonnes foils and 735 tonnes powder and paste. The alumina output in this year aggregated to 156,080 tonnes, using 556,709 tonnes bauxite. The company also produced in 1972 45,191 tonnes carbon paste. The production of primary aluminium suffered a small setback last year—from an output of 79,901 tonnes in 1971—due to power shortage at Hirakud and labour trouble at Belgaum. But for the Belgaum strike, the industrial relations in Indal's works in all the six states of its operations have been quite satisfactory.

Indal's fixed assets now exceed Rs 80 crores. The growth of the company has been phenomenal in the past 10 years during which its assets have multiplied about four times. The capital investment till December 31, 1972, aggregated to Rs 62 crores, which had been financed, apart from equity, through retained profits and institutional borrowings. Emphasis, of course, has been on investment by shareholders and ploughing back of profits.

In line with its past practice, the 20,000 tonnes expansion of the Belgaum smelter, along with the augmenting of the minin and fabrication facilities, which take together are estimated to cost Rs 20. crores (Rs 16.1 crores on smelter ex pansion alone), is proposed to be finance to a large extent by drawing upon retaine profits and enlarging the equity base. Th company proposes to raise in September October this year nearly Rs 6.7 crore through a new issue exclusively for th Indian public (including premium to b determined by the government). Anothe sum of approximately Rs. 4 crores i envisaged to be raised through publi deposits for one, two and three years carrying interest at 9, 9.5 and 10 per cen per annum, respectively. The retaine profits will provide still another sizeabl amount. Institutional finance may b depended upon to a very limited extent The public issue in September-Octobe will reduce the share of Alcan—the foreig collaborator—in Indal's equity fro nearly 65 per cent at present to about 5 per cent.

Besides raising the smelting capacity a Belgaum by 20,000 tonnes, the expansio programme seeks to augment the extru sion facilities at Alupuram by 3,00 tonnes to 7,000 tonnes, sheeting facilitie at Taloja by 6,825 tonnes to 18,325 tonne and foils capacity at Kalwa by 2,50 tonnes to 5,000 tonnes. The permissio for expanding these fabrication facilitie has been sought from the union gover ment. The Belgaum smelter is ultimate proposed to be expanded to 100,00 tonnes, which capacity through innov tion may yield 120,000 tonnes of meta The present capacity of this smelter, it stated, can yield 50,000 tonnes metal.

significant fact

A significant fact about Indal's oper tions is that to the extent possible, loc talent is being utilized. At Taloja work for instance, 80 per cent of the employe are Maharashtrians and almost 60 p cent of the unskilled work force has be drawn from the neighbouring villag The case with the Belgaum, Alupura Belur, Hirakud and the other plants as w as the mining operations is no differe though the proportion of the sons of s in Indal's employment may vary slight

Apart from encouraging the emplo ment of local people—at the technicia level, the effort is to catch them gre

as is the case with the Taloja works where the majority of skilled operators and technicians are below the age of 30 years—Indal's expansion programme envisages the utilization of indigenous machinery and equipment to the maximum extent. Nearly 95 per cent of the cost of the present expansion will be incurred in Indian rupees. The foreign exchange component is just about five per cent.

Compared to the Bharat Aluminium Company's Korba project, the alumina plant which was commissioned on April 21, Indal's present expansion programme will cost just about 50 per cent of the expenditure per tonne of metal. The Korba project of 100,000 tonnes primary aluminium capacity is expected to cost Rs. 200 crores. But there is nothing surprising about it. Not only do expansions cost much less than putting up of new capacities from a scratch, but also in the initial stages, there are imbalances in the establishment of fabrication facilities to match the metal manufacturing programmes. The maximisation of the utilization of fabrication facilities through installing of balancing equipment is a time-consuming process. In this the new plants are at some initial disadvantage. The expansion costs of Indal and the Hindustan Aluminium Corporation (Hindalco), of course, compare well with each other.

different process

Unlike the Prebake Anode process used by Hindalco and the Vertical Stand Soderberg process being made use by Balco and Madras Aluminium Company (Malco), Indal, along with the JKs, the fifth entrepreneur in the field, uses the Horizontal Stand Soderberg process. The choice of process, according to experts, of course, does not make much difference to manufacturing costs, as it is related to the size of the project concerned, an entrepreneur's personal preference and the experience of the collaborators. Balco is having collaboration from Hungary and the Soviet Union. Hindalco has collaboration from Kaisers of the USA.

Unlike Hindalco, Indal is not experiencing any great difficulty in regard to electricity, which is one of the basic and essential raw materials for the aluminium industry. The electricity requirements of the Belgaum project are being met from the Sharavathy hydel scheme whose average load is 660 mws per annum. The requirements of Indal's Belgaum project at present are around 110 mws. After expansion to 100,000 tonnes metal capacity, they will go up to about 250 mws. The contract with Sharavathy authorities envisages supply of power to the extent of 225 mws plus five per cent at about 2.1 paise per unit for the smelter and about seven paise a unit for the alumina plant. Some murmur is said to be going on among Mysore politicians about the low-rated contract of Indal, but this is unlikely to threaten the utilization of the expanded capacity at Belgaum, as is the case with Hindalco's recently completed expansion from 80,000 to 95,000 tonnes at Renukoot. Hindalco's new capacity is at present lying idle because of the UP government trying to wriggle out of its commitments.

power rates

Indal, however, is experiencing some difficulty over power rates for its smelters in Kerala and Orissa. The disputes regarding these two smelters are pending in the Supreme Court and the High Court of Orissa, respectively. In view of the power-intensive nature of aluminium industry, it is high time that the union government settled the issue of making available power to this industry at concessional rates as is the case the world over. Owing to its crucial importance to the economy because of paucity of indigenous sources for the production of other non-ferrous metals, the aluminium industry cannot be allowed to become a plaything in the hands of state politicians.

Until the electricity requirements of reducing alumina into primary metal can be brought down substantially by a breakthrough in the smelting processes, the stepping up of power rates for the aluminium industry has its limitations. The Aluminium Company of America (Alcoa) is stated to have achieved some success in this field—its new process, it is claimed, has reduced electricity consumption for producing aluminium by nearly 30 per cent. But commercial exploitation of this process is yet to take place.

In common with the other aluminium manufacturers in the country, Indal is feeling the pinch of mounting costs, especially when, contrary to the promise and specific provisions in the government's notification controlling the sale prices of aluminium, the increased costs have not been compensated through an upward revision in the selling prices. The current controlled prices of aluminium are stated to be even lower than those fixed in May, 1967. The cost of production of the industry since then has gone up quite significantly as a result of a near-doubling of the prices of soft pitch and petroleum coke and an uptrend in the prices of other raw materials like fuel oil and caustic soda, increase in maintenance costs and rising wages. According to Hindalco sources—which company may be asked to convert Balco's alumina into aluminium because the reduction plant of Balco is still under construction—"an exercise in computing the cost of production of aluminium by adding Balco's cost of alumina to the conversion cost of Hindalco, has revealed that the naked cost of production of aluminium comes very close to the present controlled selling price of aluminium ingots, leaving no margin for depreciation, not to speak of return on capital". An early decision on an upward revision of the sale prices of aluminium, thus, is urgently called for.

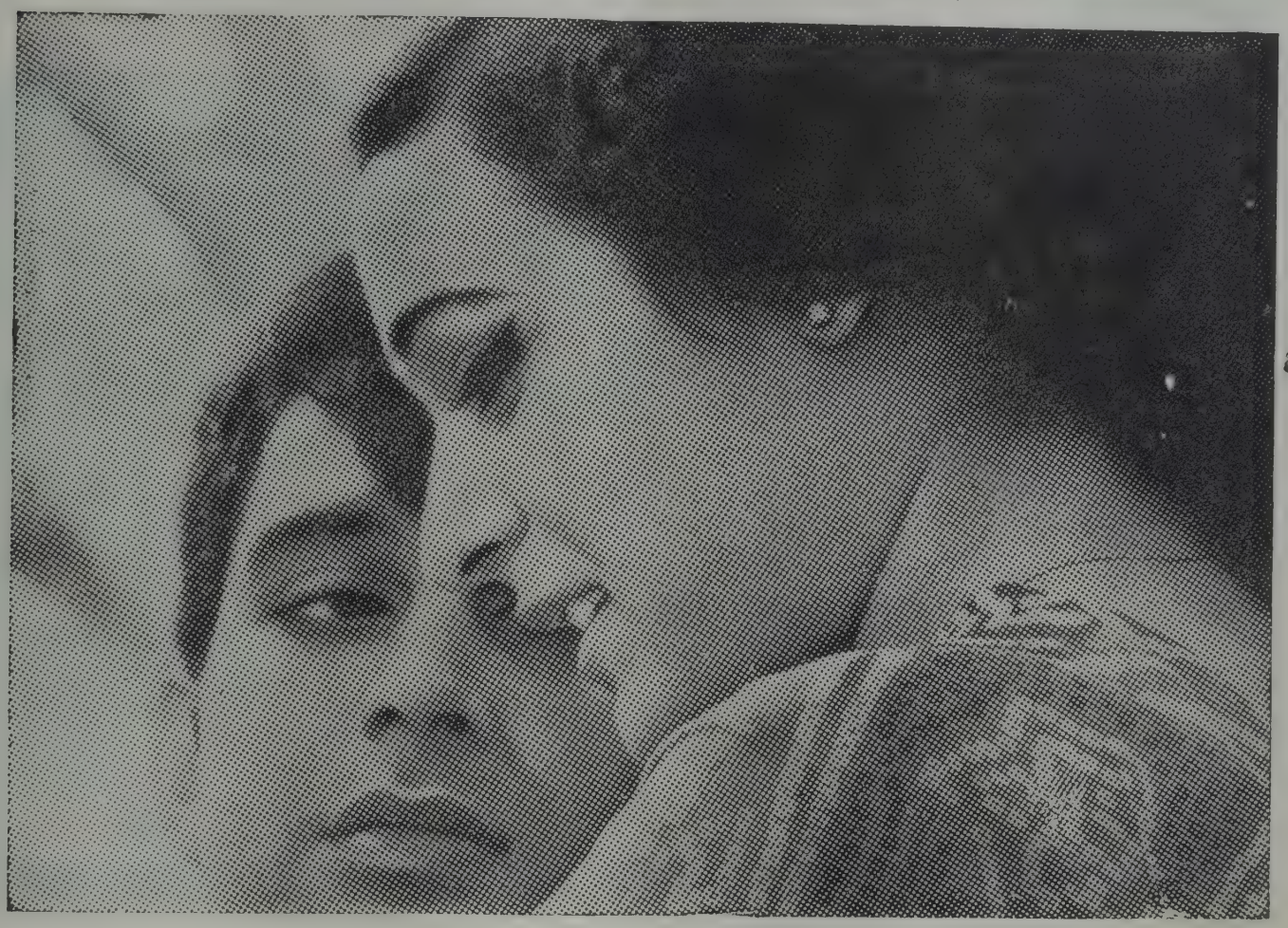
The output of aluminium in our country, incidentally, should register a rapid rise in the next two years. Indal by then should be yielding about 25,000 tonnes more, Hindalco nearly 40,000 tonnes more and Balco approximately 100,000 tonnes if its rated capacity is fully utilized as is envisaged. Balco's own smelter to process alumina is expected to be commissioned by the end of this year. Its Ratnagiri project (100,000 tonnes metal capacity) should go into production soon thereafter if the implementation of this scheme is expedited.

copper requirements

In view of the ambitious programme of raising the power generation capacity in the country to about 40 million kws by 1978-79 and the copper requirements of about 120,000 tonnes in that year expected to be met from indigenous sources to the extent of only 50 per cent—that too if the Khetri copper project is completed in all respects by 1975-76 as targetted at present—there can be no difficulty in consuming the entire aluminium output. Even if there is some surplus, it can be conveniently exported. In the expansion programmes of Indal and Hindalco, there is, in fact, a provision of exporting 10 per cent of the additional production. With a view to maximising foreign exchange earnings from aluminium exports, it is encouraging to note that exporters of fabricated products are being provided supplies of primary metal by the metal producers against their export commitments.

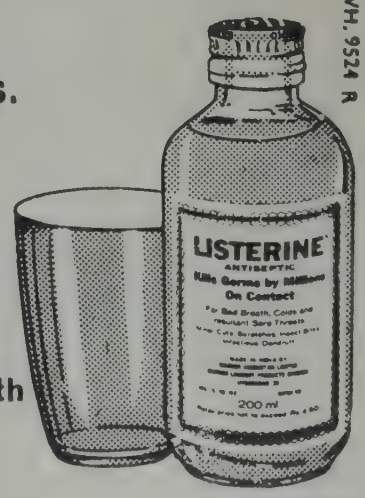
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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

SINCE WE reported last, the Lok Sabha has approved the demands for grants of four more ministries—the ministries of Agriculture, Commerce, Irrigation and Power and Education and Social Welfare.

As could be expected, the recent take-over by the government of the wholesale trade in wheat — which step is to be followed in the case of rice from the next kharif crop — figured prominently in the deliberations on the budgetary demands of the ministry of Agriculture. The opinion on the success of the step, of course, was sharply divided. While many opposition members, particularly those belonging to the Jana Sangh party expressed misgivings over its attainments in the present circumstances, when the government did not have any buffer stock, the members from the treasury benches, as well as those with leftist leanings on the opposition side, hailed it and stressed that it should be faithfully implemented.

farm inputs

The cause of small farmers and the landless labourers was championed by many. With a view to giving a further push to farm output, it was emphasised that the supply of essential agricultural inputs, such as fertilizers, pesticides, high yielding varieties of seeds, etc., should be made available to the farming community in adequate quantities and at the right time. A good deal of criticism was voiced over the shortages of fertilizers in the recent past. Some members suggested close co-operation between the ministries of Agriculture and Irrigation and Power so that water availability for irrigation purposes could be augmented to levels warranted by agricultural development programmes and power supplies for farm operations could be ensured. The need for speedy implementation of land reform measures was stressed by many. A good deal of emphasis was also placed on the restructuring of the rural credit system. Some members pleaded for stepping up the procurement prices of foodgrains so that agriculturists could get incentive for producing more. The need for streamlining co-operatives and panchayats was emphasised by several members.

Many participants in the debate suggested that along with stepping up the output of foodgrains, concerted efforts should be made to increase the production of cash crops like cotton, sugarcane and oilseeds. The controversy over the nationalisation of sugar mills was another highlight of these deliberations. The government was urged to clearly enunciate the policy in this regard.

hopeful output

Intervening in the debate, the two ministers of state in the ministry of Agriculture — Prof. Sher Singh and Mr A. P. Shinde — disclosed that the output of foodgrains during 1972-73 was not expected to be as bad as it was originally feared. Despite severe shortages of fertilizers, water and power, the output in this year was expected to be between 103 and 104 million tonnes. The crash programme for the rabi crop, they said, had yielded beneficial results. The output of wheat, according to Prof. Sher Singh, was estimated around 30 million tonnes—nearly 3.5 million tonnes more than last year's yield. Imports of foodgrains in 1972-73, Mr Shinde revealed, had been only of the order of 600,000 tonnes. As against this, exports to Bangladesh aggregated to nearly 900,000 tonnes. The current difficulties on the food front, Mr Shinde therefore argued, were temporary. The country, he assured the House, was poised to achieve self-sufficiency in foodgrains; in normal years, there were bound to be surpluses. The output of foodgrains in 1973-74, Mr Shinde expected, could go up to 115 million tonnes, provided, of course, the rainfall was normal.

Defending the policy of the take-over of wholesale trade in foodgrains, Mr Shinde referred to the findings of the several expert committees which had recommended this step on various occasions during the past 20 years. He did not share the pessimism of the opposition members and expressed confidence that the target of procuring eight million tonnes of wheat would be achieved. Punjab and Haryana between themselves, Mr Shinde observed, would be contributing five million tonnes of wheat and one million tonnes of rice to the central pool. The contributions of the other northern states were also likely to be significant.

necessary step

Mr Shinde agreed that the Agricultural Prices Commission should be strengthened. This, he thought, was necessary so that the government could take the right decisions about the prices of agricultural commodities, including wheat.

Mr. Shinde expected that the entire shortage of edible oils would be wiped out in two or three years. In this context he mentioned the special efforts being made to develop the production of sunflower oil. Cotton output, he added, was growing despite heavy odds as a result of the encouragement being provided by government. One should not be surprised, he said, if the country in the years to come emerged as an exporter of raw cotton. Mr. Shinde also expected a breakthrough on the pulses front in the near future. The states, he added, had been asked to prepare master plans for drought areas and to ensure that drought relief, which in 1972-73 had been on a massive scale, was utilised only for productive purposes.

Prof. Sher Singh disclosed government plans of undertaking soil survey in a big way in the fifth Plan period to determine the kinds of crops that should be grown with the best results in the different parts of the country. He conceded that irrigation facilities so far had benefited mostly the big farmers. But he pointed out that efforts were being made to see that the interests of the small agriculturists were protected. Prof. Sher Singh also referred to "operation flood" to step up the production and supply of milk in the country.

Winding up the debate, the minis

for Agriculture, Mr Fakhruddin Ali Ahmed, sternly warned the wholesale traders who had threatened to scuttle the government's policy on the take-over of wholesale trade of wheat. Firm action, he said, would be taken against those who prevented the government from procuring wheat and also those who attempted a boycott of the supplies of essential commodities. The procurement operations, Mr Ahmed felt, were progressing satisfactorily. More than 50,000 tonnes of wheat, he disclosed, had already been procured, as against just about 2,500 tonnes during this period last year. The target of eight million tonnes wheat procurement, Mr Ahmed assured the House, would be fulfilled. His optimism apparently was based on the fact that the harvest in Punjab and Haryana had yet to come in the market.

Mr Ahmed ruled out an increase in the procurement price of wheat. The present price of Rs 76 a quintal, he pointed out, had been announced before rabi sowings. Since farmers had not been discouraged from sowing wheat, the price apparently was considered by them to be appropriate. The government, Mr Ahmed added, would go by the advice of the Agricultural Prices Commission in regard to fixation of procurement prices of foodgrains. The real problem, he added, was how to bring down the cost of production of the cultivator. He thought what was necessary was increase in productivity.

role of retailers

Clearing the confusion about the role of retailers in wheat, Mr Ahmed stated that they would be allowed to buy from mandies and not from the purchase centres being set up within a radius of four to five miles of the cultivators' fields. Apart from being licensed, the retailers would be allowed to keep a specified quantity of stock. They would be prohibited from selling wheat at any price higher than the price at the fair price shops, despite the fact that they might have purchased wheat from mandies at prices higher than the procurement prices.

During the debate on the budgetary demands of the ministry of Commerce, the difficulties faced by weavers in the procurement of cotton yarn were pointedly referred to by several members. The leftist members of the House, as usual, clamoured for the nationalisation of jute and tea industries as well as of the external trade of the country. They felt that the picture of exports was not as bright as it was made to be. The deficiencies of state trading were highlighted by several opposition members, particularly those having rightist leanings. Even a Congress member stressed the need for the state trading agencies achieving greater rationality in their distribution and pricing policies. Pointing out that supplies were not procured by these agencies in time and in the requisite quantities, he wanted the government to appoint an expert group to review their distribution and pricing policies. The recent controversy over mica purchases by the Soviet Union and Poland too figured prominently in this debate.

drastic changes

Winding up this discussion, the minister for Commerce, Mr D.P. Chattopadhyaya, disclosed that some drastic changes might soon be made in the foreign trade policy. The basic tenets of the new policy, he said, would be: (i) forging of closer relations with the developing countries of Latin America, Africa and Asia; (ii) strengthening of relations with developed countries individually or as a bloc; (iii) immediate priority for close economic ties with the neighbouring countries of the Middle East and Asia; (iv) linking of exports with internal production and co-relating commercial policy with diplomacy; and (v) increasing of exports to such a level as to make the country free from foreign assistance by 1979. The Minister further stated that much greater importance was proposed to be given in future to the exports of the small and medium-scale sectors; state agencies would be geared for this purpose.

Referring to the demand for the nationalisation of the entire import-export trade, Mr Chattopadhayya stressed that such a step could not be taken without adequate preparations. The government, therefore, did not intend to take-over the whole of external trade. He, however, assured the House that when there had been necessary consolidation of trade which had already been taken over by the state and experience and expertise had been developed, the government would not hesitate to take a bold step. "Socialism", the minister emphasised, "does not mean nationalisation, nationalisation and nationalisation. It means nationalisation, consolidation and nationalisation."

Mr Chattopadhyaya also ruled out the take-over of the tea and jute industries and affirmed that he did not want to create any fear psychosis by talking about their nationalisation. The government, he added, was fully seized of the problems of the sick tea estates. There were some administrative and legal problems involved; the concerned central ministries were being consulted in the matter. He promised some positive steps in the near future in the case of the closed and sick tea estates. The report of the task force which had been asked to go into the entire question, he revealed, would be available soon. The remedial steps would be taken in the light of this report. A basic problem in the tea industry, the minister said, was to provide relief to the workers who had been seriously affected as a result of the closure of estates.

Referring to the serious shortage of yarn for weavers, Mr. Chattopadhyaya announced that the government was thinking of slightly modifying the control policy announced by him about four weeks ago. Central officials, he said, had been sent to various states to make an independent assessment of the difficulties faced by weavers. Pending the receipt of their reports, the state governments had been asked to raid hoarded stocks. They had been assured that the stocks which they might seize in these raids, could be kept by them for their use in addition to the quotas already earmarked for them. The states had also been told that if more yarn could be produced by reducing power cuts on spinning mills, the extra additional output could be used by them and that would not affect their fixed quotas.

price of jute

In regard to jute, the minister observed that the question of revising the minimum price for this commodity was only of academic interest at present, as the prevailing price was more than that statutorily fixed. The government, he added, would be guided by the views of the Agricultural Prices Commission in respect of the fixation of jute prices.

Referring to trade with Bangladesh, Mr Chattopadhyaya stated that the recent three months' extension of the trade agreement with this country would be utilised to make a joint study of the possible areas of cooperation between India and Bangladesh. He hoped that some agreement, which would be more positive and specific, would be arrived at by June. Jute, he added, would unquestionably form part of such an agreement.

Dwelling at some length on our trade relations with the EEC countries, the

minister stated that negotiations were going on with the Community for tariff concessions, particularly for textiles and tea. The sugar export quota, he confirmed, had not been affected by Britain's entry into the EEC.

Regarding our trade relations with Australia and New Zealand, Mr Chattopadhyaya observed that the government of India would positively respond to the increasing interest shown by these two countries in trading with us. The matter, he disclosed, would come up for discussion at the forthcoming meeting of the ECAFE at Tokyo.

Earlier, intervening in this debate, the deputy minister for Commerce, Mr A.C. George, assured the House that it would be the endeavour of the government to see that more and more non-traditional items were exported. The 1972-73 export target of Rs 1,760 crores, he confidently predicted, would be achieved. During the first 10 months of the year, goods worth Rs 1,557 crores, he said, had been exported.

The need for declaring water resources a national asset and a sharp criticism of the shortages on the power front were the highlights of the debate on the demands for grants of the ministry of Irrigation and Power.

national asset

The declaration of water resources as a national asset, it was argued, would obviate inter-state disputes which had held up the implementation of several irrigation and power projects in the recent past. It would, therefore, help an integrated development of the river resources of the country, especially when the state governments were experiencing financial stringency.

The Ganga-Cauvery project came in for a good deal of criticism from several members from the northern states who stressed that the waters of the Ganga were badly needed in their areas themselves.

In regard to power, members appreciated the fact that drought had accentuated scarcity, but they stressed that the implementation of power projects had been too tardy. They also called for raising the efficiency of thermal plants. With a view to reducing dependence on hydel power, some members suggested that greater emphasis in future should be placed on thermal and nuclear power.

Replying to the debate, the Irrigation and Power Minister, Dr K.L. Rao stressed the need for at least doubling the power generation capacity in the country by the end of the fifth Plan period. For achieving this target, at least three million kws additional power generation capacity, he pointed out, had to be put up annually from now onwards.

On the irrigation side, Dr Rao mentioned that the fifth Plan would aim at bringing under irrigation three million acres per annum. He wanted priority to be given to the completion of the 59 major projects which had spilled over from the previous plans and were awaiting execution.

diversion of waters

Dr Rao defended the scheme for the diversion of the waters of the Ganga through the proposed national water grid. The underlying objective of this grid, he stressed, was to make available the surplus waters of the various rivers in the country to the drought-hit areas in all states, The first beneficiary of the national water grid, he pointed out, would be the areas on the southern edge of the Ganga. Ultimately, all the major rivers of the countrv would be connected with one another. He assured the House that the surplus waters from the Ganga would be diverted to the drought zones only during the monsoon periods and that too from a point near Patna after which these waters were not used for irrigation purposes. He further assured the critics that this diversion of waters from the Ganga would not affect in any way the Calcutta port.

Dr Rao revealed that a national water council was proposed to be set up in the near future. A bill had been prepared for this purpose and the views of chief ministers of states had been sought on it. The minister also stated that the draft bill for setting up the Brahmaputra Control Commission was ready. It would be introduced in the House shortly.

Stressing the need for accelerating the development of power resources, Dr Rao pointed out that the national loss due to power shortages was much more than the combined loss due to drought, cyclones and floods. Besides augmenting the power generation capacity, efforts, he said, were being made to reduce the heavy transmission losses and the all-India grid scheme was being expedited so that power from surplus states could be transferred to the deficit ones. The question of improving the efficiency of thermal plants was also being looked into.

The highlights of the debate on the budgetary demands of the ministry of Education and Social Welfare have ready been reported in this column. his reply to this debate, the minister Education and Social Welfare, Mr N Hasan, assured the House that the gov ment had an open mind in regard the changes in the statute pertaining Aligarh University, if constructive s gestions came from the academic com nity. At the same time, he made it c that the government would not yield political pressures. The minister a emphasised that the government had intention of accepting the contention t Aligarh University should be declare minority institution. The histori character of this institution, he add of course, would be maintained by p viding majority representation to Musli on the university bodies.

Mr Hasan shared the concern of members about the growing commu activities in the Banaras University a elsewhere. The whole question of co munalism on campuses, he felt, should studied in depth. A proposal to have central university at Pondicherry, wh was supported by the University Gra Commission, he said, was being examin adding that there was no proposal setting up a university under the aegis the central government at Hyderab which demand had been made by so members.

change disfavoured

Referring to the plea for making ed cation a concurrent subject, if not a ce ral subject, Mr Hasan revealed that t governmeut was not in favour of a change in the present constitutional po tion and did not want a centre-st wrangle over it. Education, he stresse was a common task of the centre and t state governments. He hoped that t recommendations of the Central Adviso Board of Education would be accepted the state governments. Changes in t educational system, Mr Hasan fe could not yield quick results. The pla of the Advisory Board, he assured me bers, did signal a definite break from existing system.

Mr Hasan appreciated the conce of member over reduced allocatio for some educational programmes this year's budget but hastened point out that there were serious co traints of resources. Supplementary gra could be sought if there was a danger the programmes suffering a setback implementation.

Talking about the various acedami Mr Hasan stated that these academ were doing good work though there



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still some scope for improvement. He expressed the hope that the state governments would implement the recommendations of the Khosla Committee for setting up state academies.

Earlier, intervening in the debate, the deputy minister for Education, Mr D.P. Yadav, assured members that the government would make all efforts to remove illiteracy and to solve social problem in the country. A policy to involve the youth in this task, he disclosed, was being considered, but it was proposed to be implemented in a period of five years. Efforts, he added, were being directed towards the development of regional languages as also for raising education standards.

The following important information was provided in the Lok Sabha during the past two weeks:

(1) India would have considerably increased her developmental activity in the field of missiles in two years' time. Some facilities for undertaking development of under-water weaponery would also have been put up by that time.

(2) The government is considering the possibilities of obtaining process know-how, technical back-up and supply of equipment and materials for the Mathura refinery from the Soviet Union.

(3) It has been decided to set up three nylon filament yarn manufacturing projects in the joint sector. They are to be located in Mysore, Haryana and Andhra Pradesh. The capital cost of a 21,000 tonnes annual capacity nylon project is estimated at Rs 7 crores.

(4) At least 50 per cent of the villages in every state would be electrified by 1981, according to the prospective plan for rural electrification for the decade 1971-81. As many as 1,34,160 villages, out of a total 5,66,878 had been electrified by the end of February this year.

(5) The total estimated backlog of housing facilities in 1971 was about 24 million units—18.60 million units in rural areas and 5.5 million units in urban areas. Even at a modest estimated cost of Rs 21,000 per house in the urban areas and Rs. 4000 in the rural areas, an investment of Rs 19,000 crores would be needed to clear this backlog.

(6) The question of revising the issue price of superior wheat, the procurement price for which for 1973-74 is Rs 82 per quintal, is under the consideration of the government. The procurement and issue prices of other varieties of wheat and foodgrains are proposed to be maintained at the levels already announced.

(7) A final decision on the establishment of mild steel projects at Visakhapatnam and Vijaynagar is likely to be taken soon. The techno-economic feasibility reports of these plants envisage annual production of shaped products equivalent to two million tonnes ingots at each plant. The consultants had expressed fears of substantial recurring losses on the investments in the two plants due to high cost of equipment and machinery, raw materials and transportation charges. A study group, therefore, had been set up by the government to examine the scope for reducing the capital and operating costs. This group has recommended that the capacity of both the plants might be raised by installing blast furnaces of capacity higher than 2000 cubic metres so as to obtain economies of scale.

(8) Deficit financing is proposed to be kept to the minimum during the fifth Plan period so that the rural incomes of particularly the poor sections are not eroded. The main emphasis of the fifth Plan would be on increasing money incomes of the backward sections of society and of backward areas.

(9) The second unit of the Rajasthan atomic power station is expected to go into commercial operation in the middle of 1976. It will have a capacity to produce 200 MW power.

(10) Under an agreement reached recently with Iraq, the Iraq National Oil Company would supply annually three million tonnes of crude oil for 10 years to the refinery proposed to be set up at Mathura. The three foreign oil companies—Burmah Shell, Esso and Caltex—have agreed in principle to refine on behalf of the Indian Oil Corporation the North Rumalia crude which is being imported by IOC. The terms and conditions for processing this crude at the three foreign refineries are being negotiated.

(11) The Japanese government has been requested to extend the necessary credit facilities for the five fertilizer plants about which proposals have been submitted by Engineers (India) Ltd, in co-operation with the Toyo Company of Japan. The Fertilizer Corporation of India has also received an offer from Sanam Progeriti of Italy for setting up some fertilizer plants. A team of experts is expected to visit Sanam Progetti's urea plants in Italy in the near future to discuss the matter further.

(12) The question of forming a holding company for the fertilizer industry is proposed to be considered by the government while deciding about the reorganisation of the Fertilizer Corporation of India.

(13) An increase of nearly 112 per cent could be expected in the cost of the 59 major irrigation projects which had spilled over to the fourth Plan. The cost of the 50 continuing power projects was likely to be 60 per cent more than the original estimates. The 59 irrigation projects would now cost Rs 2,700 crores. The expenditure on the 50 power projects was expected to amount to Rs 1500 crores. Due to the increase in costs, nearly Rs 2,000 crores more would have to be found for completings the 59 spilled-over irrigation schemes (Rs 1270 crores) and the 50 continuing power projects (Rs 937 crores).

Eastern Economist 25 Years Ago

APRIL 23, 1948

Implementation of a united social security scheme for industrial workers is now with in sight. Early this month, the Dominion Parliament passed the Employees' State Insurance Bill, which by consensus of opinion is considered a land-mark in the history of Union Labour legislation. Being a major achievement of the Congress Government in the field of labour, this bill, if carefully administered, will go down in history as a solid and constructive piece of legislation to ameliorate the lot of the industrial masses. The structure of social security is to be laid on the existing foundations. While improving and consolidating the existing legislation regarding workers' compensation and maturity benefits, the bill goes a step further and provides for sickness insurance. To begin with, such primary contingencies as sickness, maternity and employment injury have been covered by an integrated plan, but the principle of social insurance is to be applied progressively and its scope widened gradually. As the Labour Minister has pointed out the scheme is a modest beginning in the direction of social security. is a forerunner to the fare-reaching measures which the Government proposes to take to protect the labouring class from the five big giants of want, disease, ignorance, squalor and idleness. Already indications are not lacking that the Government is seriously considering proposals regarding compulsory provident fund and employment insurance. The intensity of Government's effort in the domain of social security must necessarily be conditioned by the level of economic activity in the country. The pace recently has been fairly brisk and the advance so far made goes beyond what has been achieved by other Asian countries.

East Germany in 1973

Jossleyn Hennessy
London.

WINDOW ON THE WORLD

I

Optimistic Planning

OFFICIAL AND semi-official comment in the German Democratic Republic on the current economic situation may be over-optimistic, but there can be no doubt that economic consolidation made considerable progress in 1972.

Admittedly this assessment as yet relies on just a handful of economic indicators, and on the report of the GDR Central Administration for Statistics, which tends to be low on meaningful figures. But even such few figures as are available show that last year there were fewer fluctuations in production than before.

Weather conditions in winter and spring were favourable and production went relatively smoothly from the start of the year. The usual drop in the holiday months of July and August was smaller than in previous years. Although the energy sector was still fully strained, production was not usually affected. The availability of ancillary supplies improved markedly, helped along by better stocks of raw material and semi-manufactures.

In the fourth quarter, production apparently managed to increase the first three quarters' lead on the plan although there were three fewer working days than in the year before. But this surprisingly favourable result still awaits confirmation by the monthly statistics.

If it is confirmed, production in the past few months will have anticipated the upswing which the GDR leaders expected later on as a result of the resolutions of the SED's VIIIth party congress and the measures flowing from it. But the high level of output in the last quarter of 1972 was not just due to increasing consolidation in all areas, such as the formation of adequate reserves. It seems likely that much of the extra output was achieved through overtime and rest day working, and therefore does not reflect a rapidly strengthing trend to greater efficiency. The amount of effort put in by individual workers may go up once they realise that the country's economic leaders are serious about trying to bring about a significant and lasting improvement in their living standards, and also that "the results of their work will be reflected in their own everyday life, not the day after tomorrow but today and tomorrow". However, if the sort of productivity increase planned for 1973 and the following years is to be achieved, a proper material basis (of raw materials and semi-manufactures) and framework (e. g. energy supply, communications) for faster—more demand orientated—growth must exist. But if present data and projections, and recent discussions and scientific arguments are anything to go by, a great deal remains to be done.

Produced national income went up by 5.4 per cent to over 119,000 million marks. This means that overall economic growth, at just under six per cent after adjustment for differences in working days, was faster than expected (plan estimate for 1972: 118,300 million marks).

This favourable result is mainly due to the growth in manufacturing, up on 1971 by 6.3 per cent, or nearly seven per cent after adjustments for working days. Four-fifths of this increase came from higher labour productivity. Goods produced, in gross terms, were worth nearly 193,000 million marks, which was 3,300 million marks, or 1.7 per cent more than planned. Although there was a shortfall on some planning targets—e.g. furniture, household china, hosiery—industry's overall plan for sales of manufactures to the consumer were three per cent above target. Individual industries benefited in various degrees from new plant coming on steam; the lack of detailed data makes assessment of performanee impossible.

Overall, production shortfalls remained small: 95 per cent of all enterprises fulfilled their plans. The main production shortfalls were in the capital goods industries and in light industry. Despite an above-average performance from ancillary industries, inadequate supplies of certain products (e.g. special machinery, heavy bearings, lorry tyres) again caused difficulties affecting production and exports as well as the completion of investment projects. An even more serious criticism is the rise in costs due to a high proportion of rejects, factory-covered maintenance and guarantee claims—an alarming sign of the inferior quality of many new but insufficiently developed products.

Many new plants started up production and in many cases helped to relieve strains, although demand was still not fully met. One problem was that some of these plants could not be run at full capacity because of shortage of well trained and suitable workers.

targets exceeded

The building industry, with an increase of 4.3 per cent, fell short of the growth in production in the previous year, but exceeded the cautious planning target for 1972: 69,550 (plan: 67,000) new flats were completed, of which 2,410 were for owner occupiers; 16,350 flats were remodelled and enlarged, 31,000 modernised. Building materials available for private domestic consumption were up by a quarter on the year before.

Agriculture in the GDR, after three bad havests, did exceptionally well in 1972. The harvest was difficult because of heavy rainfall in July and August, which also affected quality, but the grain crop was unuasally heavy: at 36.6 quintals per hectare, it set a new record for the GDR. Animal production also achieved excellent results. State procurement of animal products, as well as meat production, rose by over seven per cent, milk production per cow by five per cent.

The appropriation of national income in 1972, in line with the party conference resolutions, was marked by restrained

investment but an increasing expansion of private demand. Gross fixed investment went up by three per cent, to 34,000 million marks, after stagnating in 1970 and 1971. Manufacturing accounted for more than half of this (18,400 million marks): the main increases were in coal and energy (+31 per cent) and light industry (+14 per cent). Again, there was criticism over missed delivery dates and excessive costs by inadequacies in the preparation of investment projects and the allocation of capital equipment.

retail trade

As in the year before, private consumers bought more goods than foreseen. Retail trade turnover went up by six per cent, that of industrial consumer goods by nearly nine per cent—the highest growth rates in many years. This was not only due to a better supply position, but also to higher incomes (net money receipts +5.6 per cent, or 4,600 million marks). However, the consumer goods industry was once again plagued by supply gaps, shoddy quality and lack of spare parts. Supplies of food, beverages and tobacco were relatively plentiful, but repairs and other services remained inadequate—though there was some improvement in cleaning services.

Information on foreign trade is still incomplete. Exports grew faster, than planned (+12.8 per cent), particularly to the Comecon countries, and fastest of all to the Soviet Union (+17 per cent). Assuming that GDR sales to the other socialist countries and to the developing countries were about average, exports to western industrial countries (including West Germany) went up by about eight per cent.

Statistical data from its trade partners, and a few other pointers, suggest that the GDR ran an export surplus of some 2,000 million valuta marks on its trade with the socialist countries—particularly the USSR—but yet another deficit, of about 1,000 million valuta marks, on its trade with the west.

The position on intra-German trade has improved little in the last few months, despite increased deliveries by the GDR: sales by West Germany, up 16 per cent to 2,900 million marks, remained well above GDR sales, which held steady at 2,350 million marks.

II

Economic Plan for 1973

The planning guidelines for economic development from 1971 to 1975, drawn up by the VIIIth party congress in the summer of 1971, provided for further acceleration of growth in 1973, the third year of the current five-year Plan: labour productivity in manufacturing was to increase by seven per cent, produced national income by nearly five per cent, to just under 125,000 million marks. For private consumption and investment, lower growth rates were envisaged; this could only mean that there was provision for a considerable export surplus and or an increase in stock building. On overall production growth, the economic plan for 1973 goes along with the five-year projection, but there are differences on appropriation. The plan—as usual full of vague global data, but thin on precise detail—makes this clear. Detailed analysis is more difficult this time because of the absence of any precise reference period for some of the projected growth rates for 1973: do they relate to the 1972 plan estimate—based on expected data for 1971 at the time the plan was drawn up, and on the amended results for 1971—or on the prospective results for 1972?

labour productivity

Thus the planned increase in produced national income of 5.7 per cent in 1972 can mean different things, according to whether it is based on planned on actual performance (i.e, over-fulfilment) in the previous year. But in any case net output of the production and distribution sectors is scheduled to go up by nearly 7,000 million marks in 1973, to 125-126,000 million marks; this would mean overshooting the five-year target. Since the total volume of work done is likely to be less than in 1972 because of the recent cuts in hours for working mothers, and because of a tight labour market, this target assumes an increase of labour productivity throughout the economy of over six per cent—above average, and rather ambitious.

In detail, the targets of the 1973 economic plan are geared, even more than the year before, to the main aim of economic policy after the VIIIth party congress: the improvement of living standards. The projections for manufacturing reflect this clearly. Gross production is scheduled to grow by 6.5 per cent, or 12,600 million marks, to more than 205,000 million marks. Within this total, production of consumer goods is to grow by 7.1 per cent, faster than investment goods (4.9 per cent). This order of priorities means a reversal of earlier ideas; it is based on preliminary results from a "draft policy for the long-term development of the consumer goods industry", work on which was started after the 7th meeting of the central committee in October 1971. According to this, the following measures will be taken to make more consumer goods available:

—Stepping up home production, and increasing co-operation with the other Comecon partners,

—Concentrating on products of particular importance to the daily lives of the great majority of the population,

—Securing, on a long-term and reliable basis, a bigger and more demand-orientated supply, which is to grow faster than purchasing power.

structural changes

This policy entails structural changes, which began at the end of 1972. Since the demand for labour for running extra capacity can basically only be filled from the existing pool of labour, via increased rationalisation, several mechanisation and automation plans are on the books for 1973. Thus a number of projects for increased consumer goods production have been incorporated in the plan under the immediate auspices of the council ot ministers of the GDR. Some of these are due to come on stream later this year.

This increase in capacity is expected among other things, to increase the production of synthetic silks and fibres by a third, and the production of plastics "significantly". Equally, increased production of textile machinery (+14 per cent) and machinery for processing plastics (+ 22 per cent) is meant to improve the supply situation—particularly for "bottleneck products," such as furniture and upholstery (+ 26 per cent) wallpaper (+ 48 per cent), ladies, tights (+ 108 per cent), knitted underwear (+ 24 per cent), and knitwear (+ 31 per cent). Supplies of household china are to increase by 31 per cent.

The planned rise in output of "finished products for the population" (+ 6.8 per cent) is concentrated at the consumer end, but there are plans for more consumer goods in the basic industries (chemicals and iron making) and also in the processing industries and vehicle building. Apart from this, projections for the different areas of industry are much the same as last year: the chemical industry, electrical engineering and electronics and mechanical engineering will get priority.

Home production of natural gas, which in 1972 at 5,000 million metres fell slightly behind expecations. is to be stepped up by 40 per cent in 1973, to over 7,000 million cubic metres.

The tasks mapped out for industry are likely to stretch resources to the absolut

limit, particularly since the increase in production has to be achieved almost entirely through higher labour productivity (plan: + 5.7 per cent).

The same reservations apply to building and contracting. In this sector, productivity increases have never gone above five per cent a year since 1967. The plan lays down a rise in production of 7.6 per cent. Obviously this can only be achieved through great increase in the use of extra labour, particularly from abroad—unless the planned increase related to the planned production for 1972 and includes the extra production from the plan overfulfilment.

The changeover to industrial production methods, and improved supplies of fertilisers, spare parts, machinery and equipment, should enable agriculture and foodstuff production to be stepped up by nearty five per cent on the 1972 plan. Given normal weather conditions, this target seems attainable.

shift in emphasis

There will be a marked shift in emphasis in the disposition of goods in 1973, measured against the original ideas in the five-year Plan. Gross fixed investment is now due to go up by nine per cent, or 3,000 million marks. Altogether industrial investment is to go up by 13 per cent to nearly 21,000 million marks—over 56 per cent of total investment.

Outside manufacturing, above average growth is planned only for services, where the supply of essential equipment is to be doubled. Labour shortages and out-of-date plant mean that half (48 per cent) of the investment planned for 1973 will be for rationalisation moves.

Private consumption, as measured by retail sales, will be allowed to rise by 6.2 per cent. The volume of goods on offer is to go up by even more (6.5 per cent) to give consumers a wider choice. But in the view of the GDR leaders, even this improved supply of goods—which also takes in the needs "of an expanding tourist industry"—will not meet the demand in full. The new measures will still fall short of the growing demand and the need to catch up on spare parts, repairs and services.

Net incomes are to rise by another 4,600 million marks, or 5.3 per cent, in 1973. Because of the increase in pensions in the autumn of 1972, 1,700 million marks of the increase will go to workers and salaried employees, the rest to the remainder of the labour force.

Public consumption too is bound to grow faster than the economy as a whole —funds for public services are to go up by 12 per cent, military spending by nine per cent. All in all, the claims on production look too high to be met. The only possible explanation for the figures in the plan is that the economic leaders of the GDR expect an import surplus for 1973. But the only forecast for foreign trade in the 1973 economic plan is for an increase in trade with the socialist countries of 15 per cent, a little above the planned expansion of total trade (14 per cent).

The chairman of the council of ministers has dropped some useful hints on this subject in the explanatory memorandum to the bill for this plan. They suggest that in the longer term the GDR expects its exports to be affected by the changes in the structure of production started in 1973—the changing pattern of demand of its trade partners not taken into account. At the same time the need for large imports of raw materials, investment and consumer goods is emphasised. Plainly the GDR hopes that the political detente in Europe and the establishment of diplomatic relations with western countries will lead to closer co-operation with these countries, and particularly to their greater readiness to help relations along with more credit finance. This expectation is almost certainly justified, although it is unlikely to apply to intra-German trade unless this trade is stimulated by increasing co-operation in a variety of areas. Without such a stimulus intra-German trade is likely to stagnate or even contract.

III

The Outlook

1972, because of favourable weather and because of excellent co-operation from the labour force, was a good year in economic terms. For 1973 the GDR leaders have set their sights high, in some cases going beyond the five-year plan projections. Industrial production and the supply of consumer goods, housebuilding and other investments are slated for a big rise: national incomes and labour productivity should go up by nearly six per cent, faster than in previous years.

But essential conditions for smooth growth have improved little. The energy gap in particular is still large. Ancillary industries still have weak spots: there are no sizeable reserves of raw materials and semi-manufactures; labour is still short; planning for investment and production as well as co-operation between the scientific and technical and the production sector are increasingly criticised. Defective quality and complaints are on the increase, causing costs to rise. There are uncertainties over identifying and forecasting demand. The search for new methods of management, planning and balancing needs and resources is still on.

This raises the question whether the conditions are right for further acceleration in growth as planned. There are good reasons to doubt this. Such doubts which seem to be growing even within in GDR economy, were discussed at the 8th meeting of the central committee of the SED. There were fears that the sudden and forced development of the consumer goods industry might lead to growth losses. But the GDR leaders are still optimistic: "The 1973 plan is a realistic plan with ambitious targets." I should be interested to know if there is any recorded instance in the history of planning—which is, after all, a short one: planning began only in 1945—in which the planners did not proclaim themselves both optimistic *and* realists!

Sources and acknowledgements : The foregoing summarises a special report in the latest Economic Bulletin kindly sent me on your behalf by the Deutsches Institut fur Wirtschaftsforchung (39 Koenigin Luise Strasse, Berlin 33), but the DIW is responsible neither for the emphasis of my summary nor for my interspersed comments.



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Discord within the Market

E. B. Brook
Vienna

AT THE moment Europe and most of the world is having a welcome rest from critical conferences It is as well; for the near-frantic series of meetings that discussed how best to cope with the most recent monetary crisis had two main, and negative, effects—to increase public unease and to increase doubts as to the capability of such meetings and the organisations holding them to do anything significant to increase stability.

These doubts have received unintentional support from one of the more important participants in some of the meetings—Lord O'Brien, governor of the Bank of England, who, opening a colloquium on critical and massive money flows set moving by huge multinational enterprices, admitted that some types of external transactions are impossible to control closely without a degree of supervision that is almost unacceptable. The world, he said, was still groping its way towards a solution of this difficult problem and realizing that workable controls were not a complete answer to the dangers involved in the relatively free movement of huge sums of money internationally.

complex discussions

Starting with this healthy admission from one of the world's leading bankers that there was no answer yet to the recurrent surges on money that have bedevilled international exchanges for more than ten years and forced all major European free currencies to float, the number of problems facing the two giant non-communist trading groups—the Common Market of west Europe and the USA—are formidable and foreshadow a complex, obstinate set of discussions when, in the autumn, these two groups, with Japan and others, get down to the formidable job of revising the rules of the General Agreement on Tariffs and Trade (GATT) to which several communist countries also belong. Japan has already indicated its doubts as to any worthwhile outcome arising from these discussions and forsees a long international commercial contest on both national and group basis.

This spring and summer thus provide a period when the participants in the GATT discussions can not only prepare their briefs but stand a little more still than usual to examine their own positions, their problems and achieve a more honest view of their own weaknesses.

This process has already begun : there is even some risk that the confession of problems may become exaggerated. This risk lies particularly in worldwide perplexities over sufficient sources of energy. The world press has been full during recent months with forebodings that the supply of oil and natural gas will within a relatively few years be insufficient to meet the steadily growing energy needs of the USA, west Europe and Japan while the Soviet Union has already revealed its anxiety by supplementing its own oil production by buying from Iraq and Libya.

There is even risk that the many disunities in west Asia—the coveting of the relatively artificial state of Kuwait by Iraq not only for its six oil wells but for its oil-handling export facilities, the rivalry between Iraq and Iran and the many political troubles in the Arabian peninsular—may lead to forceful intervention by western powers, an intervention that would certainly be equally forcefully opposed by the Soviet Union which, as Iraq's customer, helper and supporter of the Baathist government, carefully maintains a naval presence in the Persian Gulf close in to the short, vulnerable Iraqi coast.

useless surveys

These anxieties over energy sources are inducing US oil companies very expensively and often uselessly to survey for oil in South America, where the national states erect constitutional and legal guards over their actual or possible oil sources as rapidly as the US firms show interest in them. The US companies are actively investigating sources hitherto regarded as too difficult and worthless, such as the shales and tar sands of the Venezuelan Orinoco and Canada's Athabasca area, as well as geothermal steam power under the surface of the south-west and central USA. It is leading to calls for development by the USA of the use of solar power for industry.

These extravagances are taking place at a time when the USA itself is seeking to overcome increasingly frail legal objections to using and piping oil from the Alaskan North Slope and when sedimentary deposits with oil-bearing potentials as rich as those now being exploited off the coasts of Lousiana, Texas and California have been located by the geological survey off the US east coast and when west Europe is rapidly preparing to exploit to the full the oil and gas deposits discovered under the North Sea; when also, British coal deposits have been discovered to run out under the North Sea for miles farther than hitherto realized. The one thing certain is that by one means or another, but not by economy in use, the leading industrial states will keep themselves sufficiently supplied with energy sources and that the current expressions of anxiety could be interpreted as warnings to energy source-owning areas not to become too difficult about supplies.

internal feuds

The other anxieties are the discord within the Common Market itself, principally between the original Six (more precisely, the original Five, for Italy adopts an independent attitude) and Britain. These discords have arisen over several matters. but principally over the relative independence of the Market's Commission of the European Parliament which meets in Strasbourg and had its offices in Luxembourg and, even more sharply, over the Common Agricultural Policy. The results of this policy, which subsidizes the farmer heavily, have been vividly illustrated by the sale by the Community's executive commission to the Soviet Union of 200,000 metric tons of (probably partly rancid) butter at the knock-down price of 42 dollars a ton fob. This is about half the world price for butter and less than one fifth the 2,232 dollars-a-ton intervention price that the Market's Farm Fund pays to buy the butter from farmers as part of its price-support operations, The loss to the farm fund is about 362 million dollars but is better than letting the butter go to waste altogether—the Market's butter stockpile is 400,000 tons and keeping it in cold storage costs 1,550 dollars per ton per year.

The whole transaction. however, reads almost like a wonderland tale and seriously puts in doubt the wisdom of the Market's farm policy, a policy regarded as absurd by the British but insisted on by the French and West German since there hundreds of thousands of small, sometimes parttime, farmers are all voters. The same malaise affects almost all the west and central European countries—in Austria the farmers were never earning much, mostly for producing milk and butter and not meat or cereals, and constantly demand more. The butter deal with the USSR has shown up the Euro

ean farmer for the burden he is to his continent and has revealed to the USA that the Common Market could be a formidible rival in commercial deals with the Russians who have a reputation for striking hard bargains and who have left the Market still with 200,000 tons of butter on their hands.

These, and other discords within the Market, are arising at a time when closer association has revealed that the Frenchman spends more than twice as much as the Briton and as much again as the West German on food and that the Italian's percentage expenditure on food is also higher than both the West German's and the Briton's. The Common Market is common in nothing but its title—as all who know Europe realize it is an area of great contrasts, contradictions and where preconcieved ideas get some rude shocks. Britain has tied itself to an area where, for almost everything other than achohol, prices are considerably higher than in the UK.

The discords arise also at a time when the USA, now considering President Nixon's Trade Reform Bill, is pr for a trade confrontation wit Europe. Common Market comm the President's message to Congre been very guarded and the Europea wait to see what happens to the Congress before committing themse an attitude. The Americans' g encouragement so far in dealing Europe over trade has been the N executive commission's decision not criminately to give more special concessions and that conces ons lose their preferential aspect.

ECAFE's new challenges

Hardev

THE 29th Session of the Economic Commission for Asia and Far East (ECAFE) held in Tokyo from April 12 to 23 was not a ritual in the way many previous sessions have been. Besides marking the entry of China and Bangladesh, it attracted attention towards some vital problems of the area such as the reconstruction of war-torn Indo-China. It also raised some important issues of practieal importance such as the estblishment of an Asian clearing union and an Asian reserve bank.

The entry of China into ECAFE is of no mean significance. China is the largest country in Asia and has carried out an experiment in economic development about which little is known to the rest of the world. The visitors' reports are fragmentary and statistical details are inadequate. One can expect that now a precise picture about China's experiment in economic development during the last decade would be available. Moreover, the influence of the Chinese in south-east Asia is likely to increase by its membership of this body.

During this session considerable heat was generated due to the presence of the Chinese delegation. The chief Chinese delegate, Mr An Chih-yuan tended to use this forum for airing his dislike of the Soviet Union and gave expression to his views about the proposed Asian collective security pact. He stated that the pact was "designed to divide and ultimately control the countries of the region." One hopes that China's representatives do not go to the ECAFE Secretariat with the intention of settling their political scores. In that case the ECAFE may become a hot bed of political intrigue.

With Bangladesh becoming a member, its observers could attend the session as full member. The United Nations Economic and Social Council (ECOSCO) at New York took this decision on the opening day of its spring session while the ECAFE session at Tokyo was already on. It is significant that out of 27 members only one—China—voted against the entry of Bangladesh into the ECAFE and five countries abstained primarily because of the non-availability of their respective governments' views at short notice. This spontaneous welcome by 21 members out of 27 in favour of Bangladesh's entry into thc ECAFE was indeed encouraging.

reconstruction of indo-china

The session attracted the attention of the ECAFE nations towards the reconstruction of former Indo-China. Japanese prime minister, Mr Kakuei Tanaka, offered his country's co-operation in ensuring peaceful and prosperous life for the people of Indo-China. Some Asian nations could prove helpful by the supply of equipment and technical know-how for reconstruction, though help would also be coming from international agencies. However, ECAFE's slow response to the need for reconstruction is surprising. The Economic Survey of Asia and Far East for 1972 does not talk about this subject at all, although the last two months of 1972 had given clear indications about the early arrival of peace in Vietnam. It appears that Sala Santitham, the headquarters of ECAFE in Bangkok, is producing considerable paper work on the performance of various countries in the region regarding economic development, but is paying little attention to immediate problems.

A rough estimate of the extent of destruction of industry in South Vietnam in 1972 can be had from the fact that production of cotton yarn decreased from 13,368 tons in 1971 to about 8,980 tons in 1972. Output of cotton fabric also dropped to 55,992 tons from the 1971 level of 64,079. Estimated fall in the production of paper and paperboard, cement, and glass was 12 per cent, 10 per cent and 19 per cent respectively. The ECAFE report also revealed that prices in South Vietnam were rising steadily. The consumer price index for working class families rose by 19 per cent in the firs months of 1972 as compared with s cent in the same period of 1971. Th prices index rose by 20 per cent i period.

This session also discussed the est ment of an Asian Clearing Union (and an Asian Reserve Bank. Direct fits from the proposed Asian Cl Union might include the savin the use of foreign exchange requi settle intra-regional taransa and a possible saving in transaction This may be of particular benefit to ries which have a perpetual defi balance of payments.

At the first meeting of the Prepa Committee for the establishment ACU held in March, 1971, a draft ment for its establishment was ad unanimously. This has been exa by the governments of 15 member tries, out of which nine members i ing India, Iran and South Vietnam so far endorsed an agreement. however, declined to join the body

Regarding the Asian reserve ba feasibility study on its establis was submitted to the first meeti the inter-governmental commit August, 1972. According to this if an Asian reserve bank were t established, it would facilitate me participation in proposals for liberalisation and expansion, either i dually, regionally or world-wide.

The session adopted a resolutio ling for the establishment of an rice trade fund. The resolution, mitted by the Philippines and Sri L called on the Commission to recon the rice fund to developed countrie international financial institutions project suitable for their financial su So far only the Philippines and Sri have signed the rice fund and a signatory country is needed to mak fund operational.

TRADE WINDS

Korba Alumina Plant

THE PRODUCTION of alumina, the basic raw material for aluminium, began recently with the commissioning of the Rs 39.20 crore public sector plant of Bharat Aluminium Company by the union minister of Steel and Mines, Mr Mohan Kumaramangalam. The plant will produce 200,000 tonnes of alumina annually, which will provide the basic raw material for the production of 100,000 tonnes of aluminium. The plant built at the Adivasi village of Garsabhata, Korba, a former zamindari of Bilaspur division, has a foreign exchange component of Rs 2 crores. It will provide employment to 8,000 people. Speaking on the occasion, Mr Kumaramangalam stated that initially there were difficulties and delays in setting up the plant. But during the last two years, Indian and Hungarian engineers worked hard for the commissioning of the plant. With the commissioning of the Ratnagiri aluminium plant in 1977-78, India would be producing four million tonnes of aluminium, Mr Kumaramangalam added.

Khetri Copper Project

The Khetri copper project has crossed the hump and copper from the complex would be available during 1973-74, the chairman of Hindustan Copper Limited, Mr D.L. Dhaon stated recently. The chairman added that the concentrate plan was ready for commissioning while the smelter and refining plants would be ready by the the end of 1973. During 1973-74, he expected copper production at Khetri to be about 8,000 tonnes, despite the 50 per cent power cut in the state. A further cut of 25 per cent had been threatened by the state government, but with the commencement of the atomic power plant, the threat might not materialise. Estimating the production to rise to 31,000 tonnes by 1977, Mr Dhaon said that together with 20,000 to 22,000 tonnes from the Indian copper smelter, 50 per cent of the country's requirements of copper would be met from internal production by the end of the fifth Plan. Mr Dhaon said that it would take at least another 10 years for the country to become self-sufficient in copper, unless some local copper resources were located.

Trade Delegation for Belgrade

A composite high-powered Indian delegation left for Belgrade, Yugoslavia, recently. The delegation at the ministerial level was led by Mr A.C. George, deputy minister of Commerce, and at the official level by Mr Y.T. Shah, Secretary, department of Company Affairs. Others represented in the delegation were ministry of Shipping and Transport, department of Economic Affairs, STC and MMTC, a representative each from a leading firm dealing with auto ancillaries and a leading firm dealing with truck manufacture. The deputy minister proposed to hold discussions with his counterparts in the ministry of Foreign Trade and other important economic ministries concerned with import into and export from Yugoslavia. The official team, led by Mr Y.T. Shah, will hold intensive discussions with the Federal Chamber of Commerce, ministry of Foreign Trade and all other concerned department. The areas of exports from India will be engineering goods, automobile ancillaries, trucks, railway wagons and other items of new manufacture such as tyres and products from chemical industry. Export of iron ore is also likely to figure. Import interests will be in respect of non-ferrous metals and ships.

Participation in joint ventures in either country and in third countries will figure in discussions. The possibility of joint tendering by Indian and Yugoslav enterprises in third countries will also be dicussed.

Apart from holding discussions with their counterparts in Yugoslavia: the Indian delegation will study and make recommendations for an appropriate export strategy to be opted by India in the context of free currency import regime. The delegation will also identify areas where there is scope for production co-operation.

Indo-French Collaboration

India and France have agreed to collaborate in setting up joint consultancy services in third countries. The decision was taken recently at the annual meeting of the Indo-French Economic Commission. Preparation of pre-feasibility and project reports is a crucial stage in the finalisation of a project and quite often suppliers of Indian machinery and equipment have found it difficult to tender for projects abroad because of several special features built into project reports. If Indians handle consultancy work in collaboration with French or any other foreign agencies in third countries, project reports can be drawn up in such a manner that this country can supply machinery. This is seen as one of the ways in which Indian exports can be encouraged. France has accepted the Indian proposition that in joint ventures in this country the accent as a rule should be on production for export. There are a number of fields in which the possibility of intensifying and enlarging industrial co-operation has been accepted. These are oil refining, textile machinery, alloy and tool steel, electronics and pharmaceuticals. No specific proposals were discussed by the commission but the French side exhibited interest in all these fields.

Power Shortage Hits TEXMACO

In the face of the continuing uncertainty of power availability, TEXMACO laid off 4,000 workers of its second shift on April 16 representing half the work force at its Belgharia factory. The management announced that all its 8,000 workers would be laid off on April 17 and the factory will be closed. The West Bengal government's labour department had received a number of representations from industrialists as well as trade unions in the state complaining about the erratic load-shedding which began a few weeks ago, in addition to the power rationing of the past few months. The Texmaco management mentioned in a statement that the company which was the third largest exporter of engineering goods in the country would be forced to default in respect of "several prestige international commitments attracting heavy foreign exchange penalties". The statement also pointed out that the company's predicament would affect export prospects and shake the confidence of foreign buyers.

Caustic Soda Units

Nine new caustic soda manufacturing units adding up to a total annual capacity of 297,000 tonnes, may be set up in West Bengal, Maharashtra, Gujarat, Uttar Pradesh, Tamil Nadu and Kerala under Letters of Intent issued by the ministry of petroleum and Chemicals. Each unit would have a capacity of 33,000 tonnes. The present annual installed capacity of caustic soda in the country is 428,000 tonnes distributed among 29 manufacturing units. The capacity approved so far through industrial licences and Letters of Intent is about 270,000 tonnes. The fresh Letters of Intent now issued by the ministry would be in addition to the approved capacity and would mark a step towards eliminating shortages of this basic inorganic

chemical required for the manufacture of such products as pulp and paper, aluminium, rayon, vanaspati, textiles and soap.

A 33,000-tonne new unit and three expansion projects with a total capacity of 15,100 tonnes were commissioned in 1972. During 1973 one expansion project of 8,665-tonne capacity has been commissioned in February last. Six more expansion projects with a total capecity of 68,800 tonnes per year are likely to be completed during the current year. The revised fourth Plan target for caustic soda production is 440,000 tonnes. Production of caustic soda during 1972 at 388,000 tonnes as against 376,000 tonnes in 1971 indicating an increase of 4 per cent.

Santa Cruz Export Zone

The production in the Santa Cruz Export Processing Zone and also exports from the Zone are expected to commence from the middle of next year. The Zone has been established for electronic products. For this purpose the government has decided to invite applications from interested entrepreneurs, who desire to set up Units in the Zone. The ministry of Commerce has appointed Mr N.S. Vaidyanathan, Deputy Secretary in the ministry, as Member-Secretary of the Export Processing Zone Board to provide full details of the facilities available in the Zone, application forms for industrial licensing and import of capital goods etc. and for approval of foreign collaborations. The ministry proposes to take up the first batch of applications for consideration by the end of next month.

Consortium Aid May Be $1250M

The World Bank is likely to propose to the Aid India Consortium which meets in Paris in June, new commitments of assistance totalling about $1250 million for 1973-74, the last year of this country's fourth Plan. This order of assistance comprising project aid and debt relief had been accepted as the desirable target by the Consortium for 1972-73 and the Bank is expected to recommend a similar target for the current year. While this country has not put forward any specific figure in regard to her foreign exchange requirements for 1973-74, the Bank is making its own assessment of the economic trends in the light of consultations with the government. The Bank's report is expected to be made available to member-countries of the Consortium before the end of next month.

Registration with Employment Exchanges

There has been a sharp increase in the number of the educated unemployed as shown by the live registers of employment exchanges. Provisional figures available for the beginning of this year place the number of matriculates and above seeking jobs in the live register at 3.28 million. A year ago the figure was 2.30 million. Of the job applicants, 1.75 million were matriculates, 932,000 undergraduates and 602,000 graduates and postgraduates. According to the Labour ministry report, more women were on the look out for jobs than ever before. The registers place their number as on December 31 last at 763,000. In the previous year, they numbered 583,000. During the April-December 1972 period, the number of placements effected in respect of woman job seekers was 40,883 as against 48,053 during the corresponding period in the previous year. The report shows while the quantum of employment in the private sector remained almost static, there has been a substantial increase in the public sector. The private sector employed at the end of March 1972, 6.77 million. The figure at the close of the previous financial year was 6.76 million. The near static position, according to the report, was mainly due to the transfer of employment in coking coal mines (about 68,000 workers) from the private to the public sector. Employment in the public sector increased by 3.9 per cent during 1971-72 as against 3.4

COMPANY NOTICE

Hindustan Aluminium Corporation Limite

Registered Office:

'CENTURY BHAVAN,'
Dr Annie Besant Road,
Bombay-400025

Notice is hereby given that the Fourteenth Annual General Meeting of the Shareholders of the Company will be held at Birla Matushri Sabhagar, 19, Marine Lines, Bombay-400020, on Monday, the 28th May, 1973, at 4-00 P. M. to transact, with or without modifications as may be permissible, the following business:

1. To consider and adopt the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st December, 1972.
2. To sanction the declaration of dividend on Preference Shares for the year ended 31st December, 1972.
3. To sanction the declaration of dividend on Equity Shares for the year ended 31st December, 1972.
4. To appoint a Director in place of Mr Marvin L. Lee, who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri D. P. Goenka, who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for re-election.
6. To appoint a Director in place of Shri G. D. Binani, who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for election.
7. To appoint a Directo place of Shri Aditya Birla, who retires f office, by rotation, accordance with Ar 146 of the Artices Association of the C pany, and, being eligi offers himself for election.
8. To appoint Auditors hold office from the c clusion of this mee until the conclusion the next Annual Gen Meeting and to fix t remuneration.

Notice is also given that Register of Members Transfer Books of both Equ and Preference Shares of Company will remain clo from 25th April, 1973 to 1 May, 1973, both days inc sive.

By Order of the Board
Directo

Bombay **M. K. Ja**
Dated the 14th day of April, 1973 Secreta

N. B:—

(1) A MEMBER ENT LED TO ATTEND AN VOTE IS ENTITL TO APPOINT A PR XY TO ATTEND AN VOTE INSTEAD HIMSELF AND T PROXY NEED NOT A MEMBER.

(2) Dividends on Equ Shares and Prefere Shares when sanctio will be made payable and after 30th May, 19 to those Sharehold whose names stand the Register of the Co pany as on 12th M 1973 to whom Divide warrants will be posted

Shareholders are reques to intimate to the Compa changes, if any, in their reg tered addresses.

er cent in the previous year. n absolute terms employment i this sector increased by 0.73 million in March 1971 o 11.21 million at the end of March, 1972. Employment in quasi government establishments continued to record the highest growth rate of 9 per ent in 1971-72. According to he census of central government employees, up to March 31, 1971 over 2.9 million are employed by the union government. Of them nearly 2.7 million were regular employees.

Names in the News

Mr K.T. Satarawala, Secretary in the department of Mines, who has been appointed Adviser to the Governor of Orissa, has served in the state and central governments and the public sector. This is the second time that his services have been requisitioned for an assignment under Governor's rule. He was adviser to the Governor of Gujarat. Mr Satarawala was general manager of Indian Airlines for four and a half years and was chairman of the governing body of the Indian Institute of Foreign Trade.

Mr V.G. Rajadhyaksha, who is shortly retiring as chairman of the Hindustan Levers, is likely to be appointed as chairman of a new cell for the Planning Commission which will be concerned with the implementation of projects cleared by the commission and the government. Another senior executive in the private sector who is likely to join the Planning Commission as an advisor is **Mr B.R. Sule**, now vice-chairman of the International Tractor Company.

your cigarette and foreign exchange...



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COMPANY AFFAIRS

Indal's Problems

ADDRESSING THIS year's annual general meeting of Indian Aluminium Company (INDAL) on April 25, the chairman of the undertaking, Mr Keshab Mahindra, dwelt at some length on the problems of power and rising costs faced by aluminium manufacturers. He regreted that despite long-term agreements having been entered into with INDAL for providing power for smelting purposes at stipulated rates, attempts were being made by state governments to change these power rates either directly by escalation or by imposing a variety of surcharges. Mr Mahindra pointed out that power constituted a high proportion of the total cost of aluminium manufacture. The attempts to step up power rates for aluminium smelters, therefore, were of very serious concern to INDAL and other manufacturers in the field. He hoped that a satisfactory solution to this problem would be found expeditiously, for otherwise the entire aluminium industry would be put in jeopardy.

Referring to aluminium prices, Mr Mahindra stated that the sale prices of primary metal had remained controlled at a level lower than that prevailing at the end of 1966. The cost of every input for the industry, on the other hand, had gone up steadily. The industry as a whole and INDAL in particular had been able to off-set to some extent the impact of increased costs on profits through improving efficiency and expansions in production facilities. In INDAL's case, the efficiency level, he added, compared favourably with the best global standards. Still, however, the rising costs had impinged upon the profitability of the industry.

The power shortages last year, Mr Mahindra pointed out, had resulted in the company's metal output going down by nearly 15 per cent. He hoped that power supply position would improve in the near future and enable INDAL to work to the optimum level of production.

In appreciation of the fact that an industrial undertaking cannot survive without growth, Mr Mahindra stated that a licence for the expansion of the company's Belgaum smelter from 40,000 tonnes to 60,000 tonnes capacity per annum had been obtained. The permission of the government had been sought to expand the fibrication facilities through adding 6,825 tonnes capacity to the Taloja sheet rolling mill and 2,500 tonnes capacity to the foil plant at Kalwa. A new extrusion press with an annual capacity of 3,000 tonnes was also proposed to be put under the expansion programme. The total cost of the expansion programme was estimated at Rs 20.1 crores. A part of this amount (Rs 6.7 crores) was intended to be raised through the issue of new equity to resident Indians. The balance requirements would be met by the retained profits of the company, deposits from public and institutional borrowings.

As a sequel to a substantial increase in the company's profit in 1972, the dividend has been stepped up. In 1971, the company declared 17 per cnt dividend on shares of Rs 10 in two instalments of 66 and 104 paise. The interim dividend for 1972 was raised to 75 paise per share of Rs 10. The final dividend for this year, now declared is 95 paise on increased equity, after one-for two bonus issue.

Vijaya Bank

Vijaya Bank Ltd had yet another successful year in 1972. The accelerated progress achieved during the last few years, particularly during the four years since 1969, was well maintained during the year. Its deposits recorded a phenomenal rise of 354 per cent during these four years, increasing from Rs 13.20 crores to Rs 58.86 crores while the number of branches more than doubled from 89 to 184 registering an increase of 107 per cent. Its advances multiplied more than four times from Rs 8.82 crores to Rs 36.10 crores. Its paid-up capital jumped from Rs 13.8 lakhs to Rs 59.6 lakhs while the reserves leaped to Rs 36 lakhs from a level as low of Rs 7 lakhs. The bonus paid to employees registered a spectacular increase from four per cent to 11 per cent. These remarkable achievements of the Bank are highlighted in the Chairman, Mr Mulki Sunder Ram Shetty's annual statement circulated to the shreholders of the Bank.

Its record of progress during 1972 is equally encouraging. Deposits during the year scaled to a new peak of Rs 58.86 crores from Rs 43.64 crores at the end of December 1971, slightly more than double the average increas of 17.4 per cent in the banking system. Its advances stood at Rs 36.10 crores, a rise of as much as 40 per cent over the preceding year. It is significant to note that about one-third of its advances went to the priority sector. The bank could not reach the mark of 200 branches fixed for the year. Still it opened as many as 43 branches in 1972 and at present the bank has total of 189 branches scatter all over the country. Two mo branches one at Calcutta a the other at Panaji (Goa) w be opened shortly. Its gr earnings touched the handso figure of Rs 4.51 crores, gain of more than 45 per ce However, mainly due to i crease in expenditure und salaries and allowances—part as a result of the upgradati of the Bank into 'A' Class a partly due to the fresh additi of 1000 persons during 19 and 1972 as also due to e penses associated with t opening of a number of ne branches in 1972, there was matching increase in net pr fit during the year. Neverth less the working ratio of sal ries and allowances to gro earnings declined to 0.30 fro 0.32 in 1971. The staff-depos ratio also fell to 42.5 per o crore of deposit from 43.5 the end of 1971. Steps a also being taken to reduce t cost of operation at vario levels.

Madras Rubber

The year 1971-72 was a lan mark in the history of Madr Rubber Ltd. During this Silv Jubilee year, the company co pleted the implementation its licensed capacity at Madra Tread rubber production a mixing capacities were augme ted in Kotayam. A ne automotive tyre and tu manufacturing unit was sta ted in Goa and a fourth pla to manufacture cycle tyres a tubes was set up in Arkona both the projects being eligib for concessions under the sp cial schemes for developme of backward areas. A r cord capital expenditure run ing into over three crores rupees, the highest in the r cord of the company, was al incurred during the yea Moreover, with licence of fo lakh automotive tyres and tub for Goa, the company becom the second largest automoti tyre and tube licensee in t country, with the total licens capacity exceeding one m lion . All these expansio have been financed from fun generated by the company a by term loans from financi

institutions. It is significant that the company was able to undertake these major expansions without recourse to additional equity. These observations are contained in the Managing Director, Mr K.M. Mammen Mappillai circulated to the shareholders of the company.

Normally the company could have reaped the benefits of such expenditure on expansion during the current year, but the severe power cut in Tamil Nadu has hampered production at Madras unit and delayed commissioning of the Arkonam plant. As against this, production from Kerala unit is greatly assisting the company at this critical juncture and further benefits will accrue from Goa, when it commences commercial production in the current year.

The company has made considerable progress in the field of Research and Development. Its R &D activities now cover compounding and development resulting in product improvement and import substitution of raw materials, tyre construction involving development of tyre designs specifically suited for local and international markets and engineering development of indigenous tyre and tube machinery and equipment. The major breakthrough made by the company in the manufacture of indigenous machinery and equipment has paid rich dividends to the company as for instance for the setting up of 400,000 automotive tyres and tubes capacity plant at Goa within one year the company had to spend only Rs 1.15 crores for imported machinery.

As a result of the success achieved in R & D the import contant of raw materials now stands at five per cent as against 90 per cent 10 years ago. But this import substitution has affected export costs of finished products. Prices of critical raw materials such as rubber and textile fabrics, which together represent a large portion of the product cost, are two to three times more than international prices. Therefore, costs of finished products have correspondingly risen very steeply, significantly incrasing losses on account of exports and retarding export growth. A representation has been made to the government suggesting the supply of raw materials as a matter of policy at international prices whether they are from indigenous sources or imported.

Baroda Rayon

The directors of Baroda Rayon Corporation have reduced the equity dividend for 1972 from 12 per cent to 10 per cent following a substantial setback in its working. Although sales improved from Rs 7.72 crores to Rs 8.62 crores, the gross profit has contracted from Rs 2.35 crores to Rs 1.75 crores. The decline in profit is attributed partly to the escalation in manufacturing costs arising from higher raw material prices, wages and other service charges. The increase could not be passed on to the consumers as the company had to sell the bulk of its output at the 1969 level of prices under a voluntary agreement with the spinners which is to expire at the end of the current year. The company had to switch over its yarn production from finer deniers which yielded a higher profitability to thicker deniers because of the keen competition in the former varieties from bigger units. Its contribution under the voluntary agreement with the weavers went up from 50 per cent to 57.62 per cent of the production. Besides it had to supply up to 10 per cent of its production at highly concessional rates against exports of art silk fabrics. While the upward trend in costs persists, the concession in excise duty enjoyed by smaller units for the past five years has been withdrawn and that is expected to affect the profitability adversely. The increase in the import duty on wood pulp, imported sulphur and spare parts will also add to the costs. Meanwhile the expansion of the production capacity for rayon yarn for which the letter of intent has been revalidated is under consideration. The company has applied for an import licence in respect of its transparent paper project and efforts are now being made to secure the letter of intent for the nylon tyre cord project which has been approved by the licensing committee.

Out of the gross profit the directors have allocated a sum of Rs 36.75 lakhs to depreciation reserve, Rs 0.65 lakh to development rebate reserve, Rs 80 lakhs to taxation reserve and Rs 3 lakhs for gratuity as against Rs 68.02 lakhs, Rs 5 lakhs, Rs 113.25 lakhs and Rs 2.27 lakhs provided respectively in 1971. After adjustments the disposable surplus amounts to Rs 55 lakhs out of which general reserve No. 1 gets Rs 49 lakhs and No. 2 Rs 6 lakhs. The proposed dividend amounting to Rs 47.81 lakhs will be paid out of general reserve No. 1.

Travancore Rayons

Travancore Rayons Ltd has maintained the equity dividend at 15 per cent for the year ended December 31, 1972. The turnover during the year was marginally lower at Rs 10.2 crores as compared to Rs 10.37 crores in 1971. Due to higher manufacturing costs the gross profit dropped from Rs 108.59 lakhs to Rs 84.82 lakhs. The appropriation to depreciation reserve was stepped up from Rs 42.99 lakhs to Rs 46.17 lakhs while the allotment to development rebate reserve was slashed to Rs 2.80 lakhs from Rs 5 20 lakhs in 1971. The allocation to general reserve was reduced from Rs 28.68 lakhs to Rs 25.36 lakhs while the amount transferred for meeting gratuity requirements was lower at Rs 10.99 lakhs as compared to Rs 22.08 lakhs in 1971. Taxation absorbed Rs 11.00 lakhs, Rs 1.9 lakhs more than in 1971. The appropriations in 1972 have been helped by a transfer of Rs 8.50 lakhs from development rebate reserve.

Sandoz

The shareholders of Sandoz (India) Ltd have been rewarded with a higher equity dividend of 12 per cent as against 11 per cent paid for 1971. During the year under review sales spurted by 21.2 per cent to Rs 12.26 crores from Rs 10.11 crores in 1971, while gross profit recorded almost a parallel rise, increasing by about 21.4 per cent from Rs 123.28 lakhs to Rs 149.73 lakhs. The higher turnover has resulted specially from better product mix particularly in dyestuffs and chemicals. Out of the gross profit the directors have appropirated a sum of Rs 34.10 lakhs to depreciation reserve as compared to Rs 30.91 lakhs in 1971 while the transfer to development rebate reserve was reduced from Rs 2.33 lakhs to Rs 2.10 lakhs. Taxation claimed Rs 80.60 lakhs, Rs 21.80 lakhs more than in 1971. The net profit after these allocations, amounted to Rs 32.93 lakhs as compared to Rs 31.24 lakhs in 1971.

Goodlass Nerolac

Goodlass Nerolac Paints has reported extremely encouraging working results during the year ended December 31, 1972. Sales swelled to Rs 8.31 crores from Rs 7.18 crores in 1971 while gross profit moved up sharply from Rs 57.97 lakhs to Rs 67.63 lakhs. Out of the gross profit, the directors have set apart an amount of Rs 18.13 lakhs to depreciation reserve, Rs 1.40 lakhs to development rebate reserve, Rs 6.87 lakhs for gratuity and Rs 26.58 lakhs for taxation as against Rs 16.61 lakhs, Rs 6.42 lakhs, Rs 2.33 lakhs and Rs 18.90 lakhs respectively in 1971. This leaves a substantially higher net profit of Rs 14.55 lakhs as compared to Rs 13.71 lakhs in the preceding year. The all-round improvement in working results have encouraged the directors to declare a higher equity dividend of 15 per cent for 1972 as compared to 12 per cent paid for the earlier year. The equity dividend will absorb Rs 13.50 lakhs, Rs 2.70 lakhs more than in 1971. The directors have also proposed a two-for-five bonus issue by capitalising a sum of Rs 36 lakhs from general reserve. The working results look all the more impressive when considered against the critical period through which the paint indus-

try had to pass through in 1972 because of serious shortages of titanium oxide and pentaerythritol, the imports of which have been canalised. The shortages of these important raw materials have continued in 1973. The company has applied for expansion of its production capacity and the government has approved the same with a stipulation of an export guarantee of 60 per cent of the additional production which is not commercially viable. The company has represented to the government and is awaiting its reply. The turnover in the first three months of the current year is in keeping with the management's expectations. The demand for its product has been arising steadily but production and sales may be limited by the uncertain raw materials supply position.

Indal's Fixed Deposits

The Indian Aluminium Co., Calcutta, intends to raise a sum of four crores of rupees in the form of fixed deposits from public. The minimum amount of deposit has to be Rs 5,000. Deposits for excess amounts are to be accepted if they are in multiples of Rs 1,000,

The deposits can be made for periods of one, two and three years. They will carry interest at 9 per cent for one year, 9.5 per cent for two years and 10 per cent for three years. Interest is payable half-yearly on February 1 and August 1 each year, subject to deduction of income-tax, wherever applicable, at source. The deposits can be made singly or jointly. Joint deposits can be in the names of persons not exceeding four.

The company manufactures aluminium and aluminium products. Its aluminium manufacturing capacity at present is 80,000 tonnes, which is expected to yield, through affecting of improvement's skills, nearly 90,000 tonnes per annum. An additional capacity of 20,000 tonnes metal is under constrution at present. It is likely to be commissioned by the end of the current financial year.

During the last three calendar years, i.e. 1970, 1971 and 1972, the company's profits after tax amounted to Rs 5.27 crores, Rs 6.92 crores and Rs 5.06 crores. respectively. It paid dividends during these years at the rate of 14 per cent 17 per cent and 14 per cent, respectively. The 14 per cent dividend in 1972 was post-bonus. The paid-up capital of the company is Rs 18.42 crores. Its free reserves aggregated to Rs 19.66 crores on December 31, 1972. The assets are of the order of Rs 81 crores. The sales in 1972 amonnted to Rs 44 crores.

Tata Chemicals

Tata Chemicals Ltd has received the consent of the Controller of Capital Issues for the issue of 10,37,671. Equity Shares of Rs 10 each as rights shares to the existing equity shareholders in the proportion of one new share for every five equity shares held, at a premium of Rs 5 per share. It is expected that the issue will be made in June 1973.

Larsen and Toubro

A record guarantee of two years now backs the new TONUM+ fractional horse power motors. This offer reflects the confidence of the manufacturers, J. Stone and Co. (India) Limited, in the high reliability of these motors. TONUM+ motors are marketed and serviced by Larsen and Toubro Limited. The high reliability of TONUM+ motors is due to their unique centrifugal switch and strict quality control employed in their manufacture. As an option, a thermal protector is available to give complete protection against burn-outs. J. Stone is equipped to develop custom built motors for the special needs of original equipment manufacturers against their bulk orders.

News and Notes

(*Expansion and diversification*)

Amar Dye-Chem is going ahead with its various expansion and diversification schemes. The company has decided to install vat dyes plant at Roha in Maharashtra state and steps are being taken to acquire land. The decision has been taken to take advantage of SICOM loan facilities. The plant for manufacturing H acid and Tobias acid is expected to go on stream before the end of the current year. Since the government has not yet agreed to modify the terms of export obligation, the situation in respect of rubber chemicals, hydrogen peroxide and TDI projects remains unchanged.

New Issues

C. Prabhudas and Co. will be in the capital market some time in July with a public issue of Rs 57 lakhs, all in equity shares of Rs 10 each. The company which has put up a wire drawing plant at Bhavnagar has recently received an industrial licence to manufacture 9000 tonnes of various types of mild steel and high carbon wires. It has also developed facilities to manufacture ACSR conductors, core wires, cable armour wires, mild steel galvanised wires and pre-stressed concrete wires. The company has sought the government's permission to increase the capacity from 9000 tonnes to 15,000 tonnes on maximum utilisation basis. Since this is within the government policy it expects to get government sanction shortly. It proposes to undertake additional product-mix such as cold heading quality wires, tyres bead wires and high carbon spring steel wires. The purpose of the public issue is to finance the cost of additional capital outlay and to repay borrowings arranged by promotors.

Saroj Alloys and Steels will be approaching the capital market shortly with a public issue of Rs 32 lakhs, comprising 2,40,000 equity shares of Rs 10 each and 8,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The proceeds of the issue will be utilised for financing the company's Rs 98 lakh mini steel plant. The company will install a 10/12 tonne electric arc furnace for the manufacture of mild steel and alloy steel ingots and billets and other steel items. The plant will be located a Hospet in Mysore state and is expected to be commissione by January 1974. The capit outlay of Rs 98 lakhs is pr posed to be financed throug by the share capital of Rs 4 lakhs, loan from IDBI Rs 40 lakhs and from Myso State Financial Corporation Rs 10 lakhs.

Maharashtra Steels will soo be offering to the public f subscription 2,40,000 equi shares of Rs 10 each and 8,0 (9.5 per cent) cumulative r deemable preference shares Rs 100 each, both at par. T company is putting up a mi steel plant in the notified bac ward district of Bulandsha in UP state. The annual in talled capacity of the co pany's steel ingot casting pla on one 10-tonne arc melti furnace will be 18,000 tonn The installation is schedul to be completed by Septemb 1973. The capital outlay the project is estimated Rs 120 lakhs including worki capital requirements of Rs 17. lakhs. It will be met by t share capital of Rs 48 lakhs Rs 40 lakhs in equity and Rs lakhs in preference shares term loan from IFC of Rs and loan from UP Financ Corporation of Rs 20 lak The management hopes to p a maiden equity dividend fr the first year of commenceme of production.

To augment its resourc **Industrial Finance Corporati of India** is issuing bonds wor Rs 12 crores at an issue pri of Rs 100 per cent. The bon will have a currency of 12 yea and will be paid at par April 30, 1985. The bon will bear interest at the rate 5.75 per cent per annum fr April 30, 1973. Interest w be payable half-yearly October 30 and April 30 a will be subject to tax. T bonds are approved securit under the Indian Trusts A the Insurance Act, and Banking Regulation Act a are also eligible for grant advances to scheduled ba by the Reserve Bank of In Besides the bonds are on approved list of securities the State Bank of India a are also eligible for investm

of the accumulations of the Provident Funds, exempted as well as non-exempted. The subscription list will open on April 30 and will close without notice as soon as the total subscription amount to Rs 12 crores and in any case not later than May 4. The corporation reserves the right to retain subscriptions received up to 10 per cent in excess of the sum of Rs 12 crores. The Corporation has already issued 15 series of bonds since 1952 for an aggregate amount of Rs 94 25 crores. The Corporation, which was established under the IFC Act 1948, has sanctioned assistance to industry all over the country in a variety of ways. The total assistance sanctioned up to December 31, 1972 was of the order of Rs 423.84 crores to 592 industrial projects.

Northern India Gas Company Ltd is setting up in a backward area near Kanpur a Rs 73-lakh plant for manufacturing oxygen gas. The plant which will have a capacity of 140 cubic metres per hour is expected to be commissioned in the first quarter of 1974. Since the project will be located in a backward area, the company will be entitled to the necessary cash subsidy as also the proposed concession exempting 20 per cent of the profits of projects in backward areas for 10 years from income-tax. Again since the project would be in the midst of several mini steel plants in that area, it would have a ready market. To raise part of the resources required for the implementation of the project the company is expected to enter the capital market on May 21, offering the public subscription equity shares worth Rs 12 lakhs in 1,20,000 equity shares of Rs 10 each and preference capital of Rs 5 lakhs in 5,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each, both at par. The capital outlay on the project is estimated at Rs 73 lakhs and will be financed by the equity capital of Rs 20 lakhs, preference capital of Rs 5 lakhs and loans of the order of Rs 48 lakhs.

Saraswati Steel and Alloys Ltd., is setting up an electric arc steel melting furnace for the manufacture of steel ingots. The fac'ory is located at Muzaffarnagar in UP and the company has entered into an agreement with the UP State Electricity Board for the supply of requisite electric power. The electric arc furnace of 10/12 tonnes capacity with an annual rated capacity of 20,000 tonnes of steel ingots is under installation. The erection of the furnace is expected to be completed by early June and commercial production is expected to commence shortly thereafter. The company has an authorised capital of Rs one crore and an issued, subscribed and paid-up capital of Rs 16 lakhs, The company is now offering to the public for subscription 2,47,500 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on April 30 and will close on May 10 or earlier at the discretion of the directors of the company but not before May 3. A sum of Rs 2.50 is payable on application and a like amount on allotment. The balance of Rs 5 is to be paid in one or two calls. The total capital outlay on the project is estimated at Rs 83.25 lakhs, of which Rs 48 lakhs will be spent on plant and machinery. Besides the total equity capital of Rs 40.75 lakhs, out of which shares worth Rs 16 lakhs have already been subscribed to and paid for, the management will raise a loan of Rs 20 lakhs from the UP Financial Corporation and Rs 22 lakhs from the State Bank of India to finance the project. As there is an acute shortage of steel in the country, the company anticipates no difficulty in marketing its products. Barring unforeseen circumstances the directors are hopeful of declaring dividends within a reasonable time from the commencement of production.

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividends			
Associated Rubber	December 31, 1972	15.0	12.5
Gontermann-Peipers	April 30,1972	10.0	Nil
Emco Transformers	September 30, 1972	10.0	8.0
Fit Tight Nuts and Bolts	September 30, 1972	19.0	18.0
Thiru Arooran Sugars	October 31, 1972	12.5	10.0
Sri Kannapiran Mills	December 31, 1972	9.0	Nil
Same Dividend			
Bengal Rolling Mills	April 30, 1972	10.0	10.0
Godavari Sugar	May 31, 1972	3.0	3.0
J. L. Morrison and Jones (India)	December 31, 1972	Nil	Nil
Joyti Switchgear	December 31, 1972	Nil	Nil
Elpro International	December 31, 1972	12.0	12.0
Stewarts and Lloyds	December 31, 1972	11.0	11.0
R. J. Shah & Co.	June 30, 1972	Nil	Nil
Borax Morarji	December 31, 1972	16.0	16.0
Suessen Textile Bearings	September 30, 1972	10.0	10.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the four weeks ended January 28, 1973. The list contains the names and addresses of the licensees. articles of manufacture, types of licences — New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting — and annual installed capacity.

Licences Issued

Metallurgical Industries

The Managing Director, M/s Chitradurga Copper Co Ltd; Bangalore. (Bangalore-Mysore) — Copper Concentrates — 6,000 tonnes—(NU).

Fuels

M/s Indian Oil Blending Ltd; Pir Pau, Trombay, Bombay-74. (Bombay-Maharashtra) — Lubricating Oil — 1,50,000 K.L. High Quality Grease— 1,00,00,000 lbs. (After expansion) — (SE); M/s Indian Iron & Steel Co Ltd; 12, Mission Row, Calcutta-1. (Noonodih, Jitpur Colliery-Bihar) —Coal — 9,00,000 tonnes — (SE); M/s Indian Oil Blending Ltd; Pir-Pau, Trombay, Bombay-74. (Calcutta-West Bengal) — Lubricating Oil — 1,00,000 K.L. after Expansion —(SE); M/s Lube India Limited; Administration Building, Corridor Road, Mahul, Bombay. (Maharashtra) — Carbon Black Feed Stock — 32,000 tonnes — (NA).

Electrical Equipment

M/s Power Cables Pvt Ltd; 18/185, Golf Links Area, P.B. No. 8004, New Delhi-3. (Maharashtra) — Cross Linked Polyethylene Cables — 250 KMS — (SE); M/s Northern India Batteries Ltd; C/o Brig N.S. Bhagat, A-14, Westend; N-Delhi-23. (Sahibabad-UP)— Automobile & Signal type Batteries — 1,20,000 nos; Stationary Battery Cells — 10,000 nos; Traction Batteries 10,000 nos.—(NU); M/s B. Choudhury & Co.; Indian Globe Chambers, Fort Street, Bombay. (Bombay-Maharashtra) — H.P. M.V. Lamp — 90,000 nos. — (NU); M/s Alfa Rubber Co Ltd; Nagargaon, Lonavala, Dist: Poona, Maharashtra. (Pimpri-Maharashtra). — Cables & Wires — (Shifting within the same State, i.e. Maharashtra).

Telecommunication

Shri D.D. Lakhanpal, 29; New Queen's Road. Bombay — (Maharashtra) — Tunning

Indicators — 10 million nos. — (NU).

Transportation

M/s Avalon Products Pvt Ltd; Unity Buildings, Jaya Chama Rajendra Road, Bangalore-2. (Bangalore-Mysore) — Starter Switches — 1,00,000 nos; Piano Switches — 3,00,000 nos; Stearing Mounted Switches — 75,000 nos — (NU); M/s Premier Instruments Coimbatore Ltd; "Premier Street", A.T.D. Street, Race Course, Coimbatore-18. (Tamil Nadu) — Dashboard Instruments for Automobiles — 6 lakh Nos— (NU); M/s Usha Automobile & Engg Pvt Ltd; 14, Princep Street, Calcutta-13. (Calcu)ta-West Bengal) — Disc Tumbler Locking Devices for Automobiles — 3,00,000 nos after expansion—(SE); Sri Ramadas Motor Transport Pvt Ltd; Subhas Road, Kakinada (South India). (Kakinada-Andhra Pradesh) — Tie Rod Ends — 36,000 nos; Drag Links —24,000 nos. Universal Joint Crosses 90,000 nos— (NA).

Industrial Machinery

M/s Larsen & Toubro Ltd; Gulab Bhavan, Bahadur Shah Zafar Marg, New Delhi-1. (Bombay-Maharashtra) — Equipment for Nuclear Purposes —5000 tonnes — (NA); M/s Associated Textile Engineers; 43, Forbes Street, Fort, Prop: A.T.E. Pvt Ltd; Bombay-1. (Ahmedabad-Gujarat) — Perforated Rotary Screens for Automatic Screen Printing Machine — 10,000 nos. — (NU). M/s Mather & Platt Ltd; Hamilton House, 6, Graham Road, Ballard Estate, Bombay-1. (Calcutta-West Bengal) — Fire Proof Doors — 420 nos; Sprinkler Heads — 30,000 nos —(COB).

Medical & Surgical Appliances

M/s Mahindra & Mahindra Ltd.; Worli Road No. 13, Worli, Bombay—Foetus Monitors — 500 nos. — (NA)

Chemicals

Shri A.S. Deva, M/s Gas Enterprises; 1725, Ram Gali, Laxmi Devi Building, Bhagirath Palace, Chandni Chowk, Delhi-6. (Delhi) — Oxygen Gas — 0.45 million cubic meters — (NU); M/s J.K. Synthetics Ltd; "Dakshineshwar", 4th Floor, 10, Hailey Road, New Delhi-1. (Kota-Rajasthan) — Nylon Filament Yarn — 3840 tonnes after expansion — (SE); M/s Dharamsi Morarji Chemical Co. Ltd; Prospect Chambers, 317-21, Dr. Dadabhai Naoroji Road, Bombay-1. (Ambarnath-Maharashtra) — Sodium Silico Fluoride — 1750 tonnes; Aluminium Fluoride — 1350 tonnes; Sodium Fluoride — 700 tonnes; Activated Silica— 550 tonnes — (NA); M/s Atul Products Ltd; Post Atul (Western Railway), Distt: Bulsar, Gujarat. (Atul-Bulsar) — Carbomite — 100 tonnes — (NA); M/s Navbharat Vanaspati & Allied Industries; G.T. Road Doraha, Punjab. (Doraha Punjab) — Oxygen Gas — 2,00,000 Cubic meters—(NA) M/s German Remedies Pv Ltd; Shiv Sagar Estate, Bloc 'A', Dr. Annie Besant Road Worli, Bombay-18. (Bombay Maharashtra) — Ultralan Ointment — 830 Kgs.; Nar

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

REQUIRES

THE FOLLOWING PERSONNEL

1. **MECHANICAL AND CHEMICAL ENGINEERS**
having a university or institute of technology degree and experience in industry or consultancy organisations. Candidates having experience in preparing and drafting feasibility reports would be preferred.

2. **FINANCIAL ANALYSTS**
having masters degree in Commerce or graduate diploma in Busines Management. Qualified Chartered or Cost Accountants may also apply. Candidates having experience in credit appraisal would be preferred.

3. **MARKET RESEARCH ASSISTANTS AND STATISTICIANS**
having a high second class post-graduate degree in Economics/ Statistics/Mathematics. For Market Research Assistants, experience in conducting commodity studies would be preferred.

4. **LEGAL OFFICERS**
having a first or high second class degree in law with ability in drafting legal documents and in preparing memoranda on legal subjects. Persons with experience in court or in a solicitor's firm would be preferred.

Applications will be considered for the Corporation's offices in Bombay, Calcutta and Madras. Candidates should not be above 35 years of age and preferably with a few years of experience. Salar would be commensurate with experience and capabilities. All posts carry other benefits such as Contributory Provident Fund, Gratuity, Bonus, Medical Insurance, Leave Travel Allowance etc.

Applications giving full particulars should reach the **Secretary & Chief Accountant, ICICI, 163, Backbay Reclamation, Bombay, 400020,** within *3 weeks* of the publication of the Advertisement. Candidates called for interview will be paid first class return rail fare (by the shortest route).

macol Granules — 50,000 kgs. —(NA).

Textiles

M/s Ramkumar Mills (P) Ltd; Sadhana House, Chicpet, Bangalore-20. (Rajajinagar Mysore — Cotton Cloth installation of 48 looms transferred from existing Unit No. 1 at Subramanyapura) — (SE).

Paper & Pulp

The Central Pulp Mills Ltd; 1328, Shivaji Nagar, Ferguson College Road, Poona-15. (Songad-Gujarat) — Paper — —16,500 tonnes — (NA); M/s Rohtas Industries Ltd; 'Times House', 4th Floor, 7, B.S. Zahar Marg, New Delhi-1. (Dalmianagar-Bihar) — Boards— 34,000 tonnes, MG Paper— 21,500 tonnes, MF Paper— 19,500 tonnes — (SE); The Central Pulp Mills Ltd; 1183, Shivajinagar Ferguson College Road, Poona-5. (Songad-Gujarat) — Paper Grade Pulp — 40,000 tonnes — (SE).

Sugar

M/s Shree Khedut Sahakari Khand Udyog Mandli Ltd; Baben Bardoli, Dist: Surat. (Bardoli-Gujarat) — Sugar — 5,000 tonnes (after expansion) — (SE); The Chairman: M/s Daulat Shetkari Sahakari Sakhar Karkhana Ltd; Yeshwantnagar-Turkewadi, Taluka-Chandgad, Distt: Kolhapur. (Kolkhapur-Maharashtra) — Sugar — 1,250 tonnes — (NU); M/s The Coimbatore Co-operative Sugar Mills Ltd; Coimbatore, No. D.S.-3, The Red Cross Building, Coimbatore, Tamil Nadu. (Coimbatore-Tamil Nadu)—Sugar—1,250 tonnes—(NU).

Food Processing Industries

M/s Kovilpatti Lakshmi Roller Flour Mills Pvt Ltd; 6/17-D, Avanashi Road, Coimbatore-Tamil Nadu)—Biscuits — 3,000 tonnes — (NA); Smt Vimla Rani, Panninagar, Bulandshahr (UP). (Bulandshahr —(UP) — Wheat Products — 80,000 tonnes—(NU); Shri Raj Kumar Gupta, Pearl Food Products, Panninagar, Bulandshahr. (Bulandshahr-UP) — Wheat Products — 30,000 tonnes—(NU); M/s Mohan Roller Flour Mills, Outside, Bhaglawala Gate, Amritsar. (Amritsar-Punjab) — Wheat Products—30,000 tonnes—(NU); Shri B.B. Bindal, C/o Modern Industries, Sahibabad, Ghaziabad. (Sahibabad-UP) — Wheat Products—30,000 tonnes—(NU); M/s Alembic Chemical Works Co Ltd; Alembic Road, Baroda-3. (Baroda-Gujarat, — Protinules —500 tonnes — (SE).

Ceramics

M/s Bombay Potteries & Tiles Ltd; P.B. No. 7166, Pipe Road, Kurla, Bombay-70. (Aurangabad—Maharashtra)— Statite Fuse Bodies of H.R.C. Type — 300 tonnes—NU.

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Ramswarup Industrial Corpn.; 66, Parwati Ghosh Lane, Calcutta-7. (Kalyani-West Bengal) — Steel Wires of various Categories — 14,000 tonnes after expansion — (SE); M/s Gupta Iron & Brass Works Ltd; 4, Friends Colony, New Delhi-14. (Ghaziabad-UP) — H.T. Bolts & Nuts — 4,000 tonnes; H.T. Machine Screws —500 tonnes — (NU); M/s Madhya Pradesh Electricals Ltd; Maheshwari Bhavan, Civil Lines, Bhopal-2. (Madhya Pradesh) — Various types of Strips, Flats, Sections, Commutator Segments, etc., — 1,600 tonnes — (NA); M/s Zenith Steel Pipes Ltd; 195, Churchgate Reclamation, Bombay-20 BR. (Khopali-Maharashtra) — Alloy Steel Castings — 2,000 tonnes; Manganese Steel Castings — 500 tonnes — (NA).; Shri Jitendra Kumar, M/s Ambica Steels (P) Ltd; A-6, Model Town, Delhi-9. (Muzaffarnagar-UP) — Iron & Steel Castings — 8,000 tonnes ; M/s Shri Ravinder Kumar, c/o M/s Ravindra General Engineering & Foundries; IX/570, Railway Road, Gurgaon (Haryana)— Iron & Steel Castings — 8,000 tonnes; M/s Orient Steel & Wire Industries (P) Ltd., 2, Brabourne Road, Calcutta. (Uttar Pradesh) — Alloy Steel Castings — 2,000 tonnes — (NU); M/s Usha Breco Ropeways Ltd; 14, Princep Stret Calcutta -13. (Bihar) — Transmission Towers, Sub-station Structurals, Microwave Antenna Towers & Railway Electrification — 12,000 tonnes — (NA); M/s Calcutta Steel Co. Ltd; 4, Old Court House Street, Calcutta-1. (Kharda-West Bengal) — Iron & Steel Castings — 3,600 tonnes — (NA); M/s Fit Tight Nuts & Bolts Ltd; Old Ashram Andheri, Kurla Road, Andheri, Bombay-73. (Bombay-Maharashtra) — H.T. Prcision Bolts & Nuts — 4690 tonnes after expansion — (SE); M/s Widia (India) Ltd; 8/9th Mile, Tumkur Rd. Post Box No 2280, Bangalore-22. (Bangalore-Mysore) — Hard Metal & Hard Metal Products—60 tonnes— (SE).

Metallurgical Industries (Non-Ferrous)

Shri Prem Sehgal, 38-D, Sujan Singh Park New Delhi. (Faridabad-Haryana) — Aluminium Collapsible Tubes, Rigid & Soft Tubes — 36 million nos — (NU); M/s Electrical Mfg. Co. Ltd; E.M.C. Gardens, 136, Jessore Road, Calcutta-55. (West Bengal)—Aluminium Alloy Tubes — 600 tonnes — (NA); Shri Man Mohan Singh; D-146, Defence Colony, New Delhi. (Haryana) — Triple-E-Aluminium Alloy Wire Roads — 15,000 tonnes 15,000 tonnes— (NU); M/s Anna Aluminium Co; Hizhakambalam, Alwaye, Kerala. (Kerala) — Aluminium Strips, Circles, Sheets, Rods & Foils —7,500 tonnes — (NU); M/s Pure Metal & Alloys; 3, Ashirvad, SVP Road, Borvilki (West), Bombay-92. (Bangalore-Mysore) — Aluminium Collapsible Tubes in various sizes— 72 Million nos; Aluminium Rigid Cans & Containers— 70 million Nos — (NU).

Electrical Equipment

M/s Jayant Metal Mfg. Co; Post Box No. 7009; 16, Gayani Road, Bombay25. DD. (Bombay-Maharashtra) — Super Enamelled Copper Wires— 2 SWG & Above — 50 tonnes — (SE); Shri Surendra Prasad Saha, 238-A, Acharya J.C. Bose Road, Calcutta-20. (Ghaziabad UP) — Storage Batteries — 1,50,000 nos. — (NU); M/s A. Stock & Co. Ltd; 8, Gargacha Road, Calcutta-27. WB. (Calcutta-West Bengal) — Electric Arc Steel Melting Furnaces of 1 & 2 tonnes capacity — 24 nos — (NA); M/s Hindustan Development Corpn. Ltd; Hindu Family Buildings, 27, Sir R.N. Mukherjee Road, Calcutta-1. (Calcutta-West Bengal) — Industrial Fans—1500 nos; Industrial Dust Collectors & Cinder Traps — 15 nos; Industrial Air Heaters — 50 nos; Pneumatic Conveyors — 20 nos — (NA); M/s Hindustan Brown Boveri Ltd; Brown Boveri House, 264/265, Dr. Annie Besant Road, Bombay-25. DD. (Goregaon-Maharashtra) — Telemetring Equipment — 70 nos —(NA).

Transportation

M/s Otis Elevator Co. (India) Ltd.; Gateway Building, Bombay-1. (Bombay-Maharashtra) — Gearless Lifts of 700 feet per minute — 60 nos —(NA); M/s Larsen & Toubro Ltd; Gulab Bhavan, 6, Bahadur Shah Zafar Marg, New Delhi-1. (Bangalore-Mysore) — Multipurpose Hydraulic Excavator Loaders (1.5 cu.yds.) — 150 nos; High Pressure Hydraulic Systems and System Components —Rs 2 crores — (NU); M/s International Instruments Pvt. Ltd; 140-Hosur Road, Bangalore-34. (Bangalore-Mysore)—Dashboard Instruments —10,00,000 nos; Flexible Drive Shaft Cables — 18,75,000 Meters; Bowdon Control Cables — 16,50,000 meters; Techographs; — 10,000 nos — (SE); M/s Shardlow India Ltd; "Huzur Gardens", Madras-II. (Madhavaram-Tamil Nadu) — Finished Automobile Crankshafts —25,000 nos — (NA); M/s Allied International Products Ltd; 5/125, Jeevan Tara Building, Parliament Street, New Delhi. (Moradabad-UP) — Automobile & Aircraft General Spares such as Aircraft Nuts, Bolts, Pins, etc. — Rs 330 lakhs (after expansion) — (SE); M/s Simpson & Co. Ltd; 202-203, Mount Road, Madras. (Madras-Tamil Nadu) — Diesel Engines — 25,000 nos after expansion — (SE); M/s Auto Piston Mfg. Co. (P) Ltd; Batala Road, P.O. Khanna Nagar, Amritsar (Punjab), Am-

ritsar-Punjab) — Pistons — 4 lakhs nos: Piston Pins — 4 lakhs nos; Piston Rings — 36 lakhs nos: Liners—75,000 nos. —(NU); Shri Vidyajeet Prakash, E-2/6, Vasant Vihar, New Delhi. (Ghaziabad-UP) — Engine Valves — 24 lakhs; Valve Guides — 2 lakhs; Valve Tappets—2 lakhs; Push Rods —2 lakhs—(NU); Shri Anil Sah, c/o M/s Sah Theatres (P) Ltd; Chopsani Road, Rajasthan. (Jodhpur-Rajasthan) — Engine Valves — 6 lakh nos—(NU).

Industrial Machinery

The Ahmedabad Victoria Iron Works Co. Ltd; Dudheshwar Road, Ahmedabad-1. (Ahmedabad-Gujarat) —Complete Soda Ash Plants —1 plant in 2 years — (NA); Shri G.C. Lohia, c/o M/s Lohia Engg. Works, 73-A, Factory Area, Kanpur-12 (UP). (Kanpur-UP)—Crimping Machines —65 nos. (Rs 400 lakhs); Assembly Twisting Machines—78 nos. (Rs 150 lakhs) — (NU).

Office & Household Equipment

M/s Power Cables (P) Ltd; 24, Barelvi Sayed Abdulla Road, I.B. No 1522, Bombay-I. (Nadiad-Gujarat) — Electronic Calculators — 3,000 nos. — (NA).

Industrial Instruments

M/s India Meters Ltd; Plot-14, Industrial Estate, Ambattur, Madras-58. (Ambattur-Tamil Nadu) — Trivictor Meters — 2,500 nos — (SE).

Chemicals

M/s Bharat Pulverising Mills (P) Ltd; Haxamar House, 1074, T.H. Road, Madras-19. (Tamil Nadu) — Zinc Phosphide — 72 tonnes — (NA); M/s Bharat Pulverising Mills (P) Ltd; Hexamar House, 1074, T.H. Road, Madras-19 (Maharahtra) — Zinc Phosphide — 144 tonnes — (NA); M/s Harpreet Singh, F-11, Jangpura Extn., New Delhi. (Uttar Pradesh) — Calcium Carbonate Hydrated Lime — 10,000 tonnes — (NU); M/s Ranbaxy Laboratories (Pvt.) Ltd; Okhla, New Delhi-20. (Delhi) — Capsules containing Cadmium Bromide & Chordiazeperoxide — capacity within the overall approved/licensed capacity for capsules. — (NA); M/s Therapeutic Pharmaceuticals, 54, Proctor Road, Bombay-7. (Bombay - Maharashtra) — Iodochlorohydroxy Quinoline —60 tonnes — (NA); M/s Hindustan Development Corpn. Ltd; Hindu Family Buildings, 27, Sir R.N. Mukherjee Road, Calcutta-1. (Balagat-Madhya Pradesh) — Electrolytic Manganese Dioxide — 2,600 tonnes — (NA).

Drugs & Pharmaceuticals

The Fairdeal Corpn. Pvt. Ltd.; Lakshmi Building, Sir P.M. Road, Post Box No 1925, Fort, Bombay-1. (Bombay-Maharashtra) — Diamin Tablets — 180 (mg.) — 75 lakhs nos; 250 (mg.) — 50 lakhs nos; Raparial Tablets — 36 lakhs nos — (NA); M/s Eurroughs Wellcome & Co (India) Pvt. Ltd; 16, Bank Street, Bombay-1. (Bombay-Maharashtra) — Tripralidine Hcl—250 kgs — (NA); M/s Ranbaxy Laboratories Pvt. Ltd.; Okhla, New Delhi-20. (Delhi) — Diazepam — 2 tonnes — (NA).

Textiles

The Mysore State Industrial Investment & Development, Corpn. Ltd; Harinivas, 36 Cunningham Road, BangaloreI-I. (Mysore) — Acetate Tow — 1,650 tonnes — (NU).

Paper & Pulp

M/s G. Lochan & Co. (P) Ltd; 14, Netaji Subhas Road, Calcutta-1. (Siliguri-West Bengal) — High Strength Kraft Paper — 17,500 tonnes — (NU); M/s Punalur Paper Mills Ltd; Punalur (Kerala). (Kerala).—High Strength Kraft Paper, Abrasive Base paper & Cable Insulation paper — 50,000 tonnes — (SE); M/s Nagaland Forest Products Ltd; P.O. Dimapur, Nagaland. (Tuensang Distt: Nagaland) — Plywood of all types including Blockboards & Flushdoors— 1.8 mil. Square meters —(NU).

Sugar

The Kisan Sahakri, Chini Mills Ltd; Azamgarh Distt: Azamgarh—UP. (Azamgarh UP) — Sugar — 1250 tonnes crushing capacity per day—(NU); M/s Kisan Sahakari Chini Mills Ltd; Anoopnagar, Distt. Bulandshar, UP. (Anoopnagar-UP) — Sugar —1250 tonnes per day crushing capacity — (NU); Shri Shamrao Kadam, Chief Promoter, M/s Godavari Manar Sahakari Sakhar Karkhana; Kerur, c/o The Nanded District Central Co-op. Bank Ltd; Dist: Nanded, Maharashtra. (Kerur- Nanded - Maharashtra) — Sugar — 1250 tonnes per day crushing capacity — (NU); M/s Aruna Sugar Ltd; Pennadam Dist: South Arcot, Tamil Nadu. (South Arcot — Tamil Nadu) — Sugar — 4,000 tonnes cane per day crushing capacity after expansion — (SE); M/s Shakti Sugar Ltd; 72, Sengupta Street, Coimbatore-9. (Bhavani-Tamil Nadu) — Sugar — 4,000 tonnes cane per day crushing capacity after expansion — (SE); The Kisan Sahakari Chini Mills Ltd; Dikhauli, Distt: Sultanpur, UP. (Sultanpur-UP) — Sugar — 1250 tonnes cane, per day crushing capacity — (NU); The UP State Sugar Corpn Ltd; 25-B Ashok Marg, Lucknow. (Saidpur-UP) — Sugar — 1250 tonnes cane per day crushing capacity — (NU); Shri N. I Patil, Chief Promoter, M/s Vasant Sahakari Sakhar Karkhana Ltd; c/o Zilla Parished, Jalgaon. (Taluka-Erandole, Dist: Jalgaon, Maharashtra)— Sugar—1250 tonnes cane per day crushing capacity — (NU).

Food Processing Industries

Shri Durgesh B. Mathur, 'Mon Repos', Asthen Bunder Road, Colaba, Bombay 5. (Bagpat UP) — Maize Products — 30,000, tonnes — (NU).

Rubber Goods

M/s Dunlop India Ltd; 57-B, Mirza Ghalib Street, Calcutta-16. (Sahaganj-Hooghly-West Bengal) Rubber Ply Transmission Beltings — 14,000,00 meters — (SE).

Leather & Leather Goods

M/s Savera & Co (P) Ltd; 18, South Tangra Road, Calcutta 45. (Calcutta West Bengal) M Finished Leather - 3 lakhs pieces — (NA); M Gordon Woodroffe & C (Madras) Ltd; 1/21, Nor Beach Road, Madras-1. (Ma ras—Tamil Nadu) — Sh Uppers — 2.5 lakh Nos - (NA).

Glass

M/s J.G. Glass Industri Pvt. Ltd; Pimpri, Poona-1 (Haveli — Maharashtra) - Vaccun Flasks/Refills — 7 million pieces — (SE); M Paramount Conductors Lt 214, Bajaj Nagar, Nagpu (Nagpur-Maharashtra) — Co per Glass/Asbestos cover Wires & Strips — 200 tonnes (NU); Shri R.V. Jaitha, c M/s G. Atherton & Co. (Ltd; Mukherjee Road, Ca cutta-1. (Dharmapuri-Tan Nadu) — Glass Bottles - 18,000 tonnes — (NU); M Window Glass Ltd; 1, Do tors Lane, Gole Market, Ne Delhi-I' (Hoogly-West Benga — Glass Bottles — 10,000 to nes—(NA).

Licences Revoked Surrendered

(Information pertains to par cular licences only)

M/s Hede & Company: R Esmael Gracious, Panj (Goa)—Asbestos Cement Pr ducts; M/s Eagle India M chines & Tools Ltd; 1, Ta tala Road, Calcutta-53. — E truders, Blow Moulding M chines, etc.

Change in Names Owners or Undertal ings

(Information pertains to par cular licences only)

From M/s Jim Chemic Industries, Bombay to M/s J Chemical Industries P Ltd, Bombay; From M Group Laboratories (Ind Ltd, Bombay. to M/s B chum (India) Pvt. Ltd, Bo bay; From M/s Harya Industrial Gases Corporati to M/s Industrial Gases Chemicals Ltd; from M The Pyramji Mining Comb Private Ltd. to M/s Rajkur Mining & Agencies Pvt. L & Rajaur Colliery.

KAMANI ENGINEERING CORPN. LTD.

Statement of Shri R. R. Kamani, Chairman, Kamani Engineering Corporation Ltd., on the occasion of the Twentyseventh Annual General Meeting of the shareholders of the company at Bombay on 26th April, 1973.



Shri R. R. Kamani

Gentlemen,

At the very outset, I would like to pay, on your behalf and mine, our tribute to the memory of my predecessor, Shri P.R. Kamani, who passed away suddenly and prematurely on 12th October, 1972. He was one of the founder Directors of your Company and was its Chairman for the past seven years. It was largely due to his foresight, vision and business acumen that the Company owes its present position of eminence in the industry. It was he who recognised the need for all-out export efforts during the recession period in the engineering industry in 1967-68, which have given your Company honours within the country, and a name on the international scene. To him, business was an act of national service and he always strove to achieve the national objectives. In his demise, we have lost an esteemed leader in whose hands the destiny of the Company was safely entrusted. Personally, I have suffered an irreparable loss in him, a loving elder brother to whom I could always turn for advice and guidance, He was a source of inspiration and a pillar of strength to all of us. It would be our endeavour to follow the traditions and values we have inherited from him.

Earlier, in September 1972, your Company lost Shri V.V. Mariwala, another member of our Board of Directors. Shri Mariwala was the Director of your Company for a period of fifteen years. We shall miss his wise counsel too, in the years ahead.

State of the Economy

The year 1972 started as a year of great promises. In the beginning of the year, there was a climate of optimism and soaring aspirations. Hopes of the eradication of poverty -- Garibi Hatao—had generated an expectation of instant amelioration of living conditions amongst the people. While the Government has introduced various measures to achieve this objective, there is still a wide gap which would be evident from the developments taking place in the various States.

If against this background, we look at the recent economic performance, the picture is none too bright. The real per capita income at present is practically at the same level as in 1968-69. Once again there was a failure of monsoon, which created severe drought and scarcity conditions in several parts of the country, and particularly in the State of Maharashtra. This has led to extensive loss of crops, shortage of fodder and paucity of drinking water in the country. The drought has also affected adversely the production of important commercial crops, such as oil seeds and raw jute. As a result, imbalances in certain strategic sectors of the economy producing the basic necessities of life have been magnified. The above imbalances have resulted in abnormal increase in prices during the current year. The wholesale price index during the period of April 1972 to the end of January 1973 registered an increase of 9.1 per cent as compared to an increase of 3.7 per cent during the corresponding period of 1971-72.

On industrial front, the country has been experiencing a continuous shortage of essential raw materials like steel. The power famine has also affected seriously the industrial production. Against this, sharp acceleration in the rate of growth of industrial production during the current year is heartening.

Export efforts have also shown an encouraging result. The exports increased by 23 per cent during the first eight months of 1972-73. This performance can be taken as satisfactory, considering the various factors that have prevailed in the exchange market during the greater part of the current year.

It is expected that the year 1973 is not going to be an easy year for the economy. While the Government is engaged in the task of increasing agricultural production, arresting the price rise, and relieving distress caused by drought, we hope that the Government would also ensure that fiscal and other policies would facilitate all round increase in production and productivity. The rethinking now under way on the question of utilisation of capacities available with the various manufacturing units in the country including those belonging to the larger industrial houses is encouraging.

Impact of Budget Proposals

Considering the present economic climate, the Finance Minister has displayed some courage in presenting the Budget Proposals which contain certain concessions vital for the growth. A good start has been made in the direction of bringing agricultural income within the scheme of direct taxation. The corporate sector has been spared from additional taxes. While the refugee levy has been abolished, the temporary surcharge has become a permanent burden on the corporate sector. The selective initial depreciation of 20 per cent as a substitute of development rebate, preferential tax treatment for a period of ten years for setting up industries in backward areas, higher export allowances, and research benefits would stimulate growth. However, it is feared that the wide spectrum of excise on steel and heavy chemicals, other items and the customs duties proposed might become a decisive factor in a cost push inflation militating against every endeavour to increase production and export.

Policies for Export

It is a matter of gratification that the Government has realised that if self reliance is to become a living

reality, there must be a massive increase in exports. This would be evident from the incentives contained in the Budget Proposals and the Import Policy recently announced by the Government. However, the emerging multipolar world is throwing up issues and patterns of trade relations which are a challenge to both Government and exporters alike. Our Government's plea to the monetary authorities of the world, for instance, for a return to some form of fixed parities is well intentioned but it now looks probably that we shall have to live with mixed systems of fixed parities and floating currencies for a considerable time to come.

I would also like to refer to one continuing serious handicap in which the export efforts and the production efforts seriously suffer and that is in the area of procedural delays. In the matter of both export benefits and supply of raw materials, the real availability of raw materials and benefits has a very long time-cycle which in the real terms reduces the value of the benefits and increases the costs. The benefits therefore indicated in the export policies get greatly diluted and I do hope that the Government would give a very serious attention to streamlining the various procedures which would greatly help the cycle of raw material availability to production to actual exports.

The continuing uncertainties on the international monetary scene would no doubt, inhibit the foreign trade of all nations in varying degrees but our exporters have special problems on this account. Exporters in other countries have at their disposal a variety of means and enjoy considerable freedom in the matter of minimising the risks arising from fluctuations in parities. Exporters in India, by contrast, have little or no leeway in this matter and this detracts considerably from their overall competitiveness, particularly in the context of the fluidity of the current international monetary arrangements. Needless to say, whatever the inherent merits of the current policies in regard to the management of the country's foreign exchange resources are, any measure that has the effect of placing the Indian exporters at a disadvantage in comparison with their opposite numbers elsewhere would to that extent adversely affect our efforts to expand our exports. One way of dealing with this situation would be to provide forward cover against the fluctuations in parities. A solution of this kind, would however, be practical only if the cost of such cover is not too high in the case of export commitments of long durations and involving substantial roll-over.

We welcome the Governments's decision on the introduction of the system of Buyers' credit and we earnestly hope that this decision will be speedily implemented. Our opportunities for trade with the developing countries are large and growing. If we are to turn these opportunities to positive account on any substantial scale, we need to adopt several measures to make trade with us attractive to these countries. Foremost among them, perhaps, is our ability to offer better financial terms. While the financial institutions, banking system and other Government agencies are playing the role of constructive collaborators in this direction, the export community would need their cooperation and spirit of joint venture to continue and hope that they would evolve dynamic pattern of financing for the furtherance of exports. In this context, the proposed system of Buyers' Credit would be of immense help to the exporters.

Power

One of the major constraints on industrial and agricultural growth is the recurring power shortage, resulting in frequent interruptions or drastic cuts in power supply in different States. The country has been experiencing power shortage varying from 10 to 40 per cent. The Union Minister of Irrigation and Power, Dr. K.L. Rao, has envisaged that there would be a shortfall of 3 million KW in the Fourth Plan power generation target of 23 million KW. The Government has realised the importance of the growth rate in the power generation and transmission, and has, therefore accorded power generation a higher priority in the Fifth Five Year Plan. It is proposed to augment the generation capacity by 21 million KW during the Fifth Plan period. Further, Dr. K.L. Rao has also envisaged that the programme for power development proposed in the Fifth Plan calls for advance action now itself for approving power development schemes and taking up preliminary work to ensure their completion on schedule. The corresponding augmentation of transmission lines, substations, distribution and communication facilities to achieve the Fifth Plan target of an additional generating capacity of 21 million KW is also being envisaged.

In view of the acute shortage of power, the plan for a National Grid has been one of the major means of bringing about even supply of power all over the country. In this context the transmission line would play an important role in getting the power to where it is needed most. Our Company therefore has to play a very vital role and would gear itself well in advance to meet this national objective.

The present power shortage has also indicated how dangerous it is to have a very large reliance on hydro power. The position, however, in regard to thermal power generation is also none too happy in view of the difficulties in getting regular supplies of coal, especially when the thermal plants are located far away from the coal producing areas.

It has been recognised that the most economical and effective way of transporting energy is by transmission of electrical energy and therefore, in our planning of power projects this aspect needs most careful examination by which large thermal power plants are installed near the coal mines and the electrical energy so produced is transmitted through network of transmission lines.

Steel

Steel shortage has been a major impediment to our industrial development. The shortage of steel is largely attributed to the under-utilisation of the installed capacity in the integrated steel plants. This shortage has been a single-most critical factor, which inhibits the export efforts of the engineering industries which have contributed towards country's exports in recent years in no small measures. We are happy that the Government has taken vigorous measures during the last one year to improve capacity utilisation and to make up the shortages by increased volume of imports. This situation calls for continuous vigilance.

Operational Results

The results of the Company's workings during the year under review are given in the Directors' Report already circulated. I would only briefly indicate some of the salient aspects of the performance. The profits for the year under review are of the order of Rs. 49.87 lakhs against Rs. 42.24 lakhs in the previous year. The export turnover of the Company has increased from Rs. 6.17 crores in the previous year to Rs. 7.39 crores during the year under review. In just recognition of the export efforts of the Company, the Indian Merchants' Chamber, Bombay, honoured the Company, with an award for its outstanding export performance for this year.

Future Outlook

In future years, the Company expects considerable in-

crease in its activities in view of the priority accorded by the Government for the power development plans of the Fifth Five Year Plan, increase in production of road rollers consequent upon the increase in demand thereof and commissioning of the rolling mill at Jaipur. Your Company is fully geared to undertake these increased activities while sustaining and enhancing its export efforts. In this contxt, I would like to mention the order which your Company recently secured, valuing approximately Rs. 75 lakhs for 400 KV line between Lucknow and Sultanpur. This is the highest voltage to be installed in India and the line has a route length of approximately 150 Kms.

Modernisation and Diversification

Your Company has already under active examination study of a number of modernisation and diversification plans. In the context of the present heavy demands of road rollers, the manufacturing capacity in this area is also further strengthened and to facilitate larger number of assemblies of road rollers space has also been taken at Wadala by which we hope to double the road roller production.

The existing suburban railway, bus and tram services in the metropolitan cities like Calcutta, Bombay, Delhi and Madras are inadequate to meet the demands of the traffic and as you know, the railways have finalised their plans for the first phase of metro system for Calcutta and Bombay, and it is contemplated that this first phase would immediately be followed by second and third phases and would cater subsequently to Delhi and Madras. The feasibility study for participation in these plans by your Company is already in advanced stage and we hope to have opportunities of participation and contribution in certain supplies and construction phases of these new proposed metro system.

Over the years, your Company has acquired certain degree of competence and expertise to provide engineering and technical services to diverse fields by sharing our experience and expertise with others in India and abroad. We are currently exploring the feasibility of providing such services to the domestic as well as foreign clientele.

Role of Government Agencies, Financial Institutions and Banking System

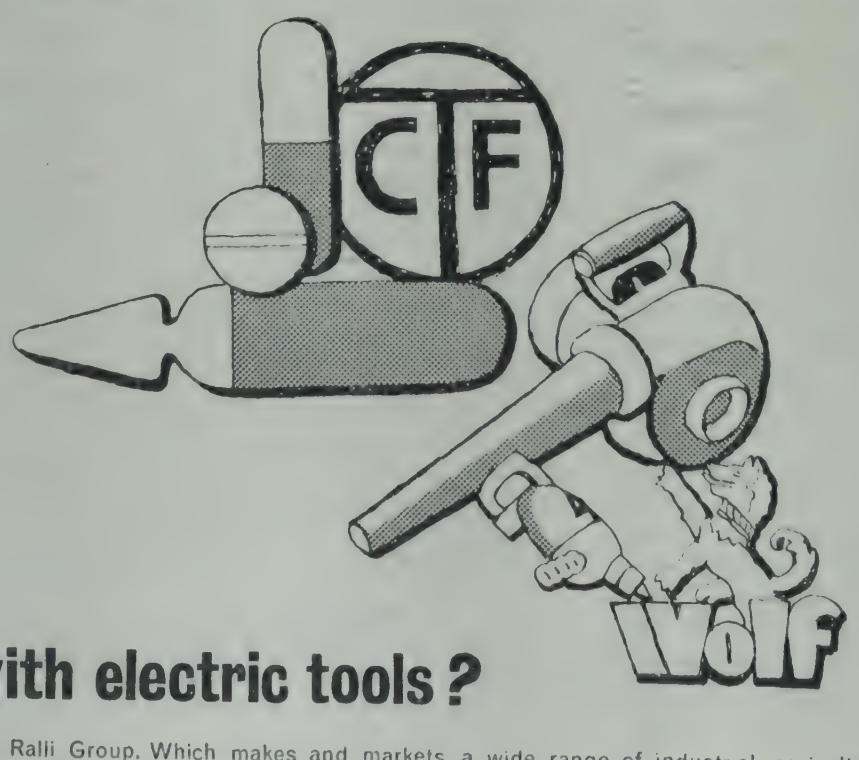
Our experience with the various official and quasi-official agencies like the Ministry of Foreign Trade, office of the Iron & Steel Controller, the EEPC, ECGC and the Public Sector Financial Institutions has been one of the constructive collaboration and we are grateful for their timely help. We are grateful too, to the Banks for the understanding displayed by them which has been an important factor in the success of all our efforts.

Conclusion

In conclusion, I, on your behalf and mine, express deep appreciation and sincere thanks to my colleagues on the Board, staff and workers for the hard work that they have put in during the past year and the better results that they have achieved.

"Note: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company."

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INDIAN ALUMINIUM COMPANY, LIMITED

KESHUB MAHINDRA,

Indal Chairman, reviews growth and prospects

—Reinvested profits lead to improved dividends

—Further expansions ahead

—Problems of power and rising costs

The following is the speech of the Chairman, Mr. Keshub Mahindra, at the Annual General Meeting of the Company on 25th April 1973.

I welcome you to the thirty-fifth Annual General Meeting of the Company. Although I have been associated with Indal for several years, this is the first occasion that I am privileged to address you as Chairman of your Board of Directors. It gives me great pleasure to do so.

The Directors' Report and the Annual Accounts have been with you for sometime now. As stated therein, profits were well maintained in 1972, despite several adverse factors. We lost about 15% of planned metal production due to power cuts and an unfortunate strike at the Belgaum smelter. Our prices remain pegged while there is continuing escalation in raw material and employment costs. All this is a familiar story to you by now and I have no wish to paraphrase the Directors' Report which I am sure you all have read. I would, however, like on this occasion, to take a perspective look at our Company and see what kind of picture emerges.

A record of growth

As you all know, Indal started operations in 1939 with a small sheet-rolling mill at Belur in Calcutta. The total assets of the Company then were about Rs. 2 million. Thirty-five years later, the Company has been rated by a leading financial newspaper, to be the eighth largest public limited company in India, ranked by total assets. This phenomenal growth of the Company, I believe, is unmatched by any other company in the private sector.

Every company has its own culture and it may be correct to say that growth is Indal's culture. In almost all the speeches that your previous Chairmen have made before you, I have noticed reference to the Company's expansion programmes and a justifiable pride in the growth rate achieved by the Company. Speaking before the Company's shareholders in 1960, my late father who was then the Chairman said "As we turn into the Sixties, a decade of progress and expansion lies behind us—a decade during which the Company showed a twenty per-cent growth a year in ingot production and established supremacy as a leader in a difficult and complex industry. This growth is unparalled and far exceeds the 6% rate of growth which would characterise a dynamic economy."

Later in 1963, Mr. H. V. R. Iengar took stock of the Company's development in the following terms : "During the twentyfive years of its existence, the Company has grown from small beginnings to one of the major business enterprises in India. In the field of production facilities, it has, from a nucleus of a small 2,500-tonne rolling mill at Belur in West Bengal, built up a completely integrated aluminium industry. We have now on stream an alumina plant with an annual capacity of 55,000 tonnes, two aluminium smelters with a total capacity of 26,000 tonnes, two extrusion presses with a capacity of 3,760 tonnes and a powder and paste plant; and the rolling mill at Belur has been expanded to a capacity of 16,800 tonnes of rolled products per annum."

In 1973, as we look at the past decade, the growth pattern emerges in even bolder relief. In ten years, metal production has tripled from 25,535 tonnes in 1963 to 78,581 tonnes in 1972. But for the power cuts and the Belgaum strike metal production would have been of the order of 91,000 tonnes. In the same period, output of our fabricated products has doubled from 19,475 tonnes in 1963 to 39,187 tonnes in 1972. In turn, sales increased more than three times from Rs. 139 million to Rs. 441 million.

Obviously, this growth rate has been achieved through further investments in fixed assets which have been of the order of Rs. 600 million since 1962. A substantial portion of this investment—about Rs. 208 million—has come from the shareholders, through reinvested profits and development rebate reserve. There are some interesting charts on pages 10 and 11 of the Annual Report which, I am sure, you have not failed to notice.

As you all know, the Company has in the past years pursued the policy of somewhat restricting dividends and ploughing back a substantial portion of the profits for further development. Some of you may have disagreed with this policy and wished that larger amounts were paid as dividends. I will not burden you with any cliches to justify our policy but would simply point out that in ten years' time, through reinvestment of profit and expansion, your Company's annual profits have nearly doubled and, in turn, permitted us to recommend a higher dividend this year.

Further expansions planned

What about the future? With the formal inauguration of the Taloja Sheet Mill, the Company has completed the first stage of the West Coast Project. Should we stand still now? The answer must obviously be NO. In spite of our magnificent edifice, if we stood still we are sure to wither away. Therefore, the Company is going ahead with the second stage of the West Coast Project. We have already obtained an industrial licence to expand the Belgaum smelter from 40,000 tonnes to 60,000 tonnes per annum. We have also applied to Government for permission to expand our fabricating facilities. The cost of these expansions is estimated at Rs. 201 million. A part of this amount (Rs. 67 million) is intended to be raised by issue of new equity to resident Indians only, in terms of Government's directive. I have no doubt the share issue will receive year enthusiastic support.

It should not be out of place to mention here that your Directors expect that the 25% expansion of capacity should result in commensurate or better increase in profits—better due to the fact that the expansions will be to existing facilities and therefore less costly

than establishing a new complex.

Problems of power and rising costs

I have already mentioned that we lost in 1972 15% of our metal production on account of power cuts. I realise that this was due to an abnormal situation and take note of the fact that the entire power situation is engaging the serious attention of the Central Government. But there is another aspect of this important input for production of aluminium that causes us great anxiety. Any aluminium producer, anywhere in the world, before establishing an aluminium smelter endeavours to ensure adequate source of power at a guaranteed rate. Your Company did likewise and I must add that we were welcome in the States in which we put up smelters as bulk consumers providing a base for the power structure. Now that the demand for power has increased and there have been shortfalls in production, our power rates are considered unfavourable to the States and we are faced with attempts to change these rates either directly by escalation or by imposing a variety of surcharge.

Power cost is a high proportion of the total cost of metal production. This is a matter, therefore, of very serious concern for us and I hope that a satisfactory solution to this problem will be found for otherwise the entire aluminium industry will be put in jeopardy.

The other matter which causes us concern is that our metal sales prices remain controlled at a level lower than that prevailing at end-1966 while the cost of every kind of input that goes into production is increasing steadily. This is probably a unique situation in any industry in India. It is only by reaching high levels of efficiency—now comparable to the best standards internationally—and through expansions of our production facilities that the Company has been able to somewhat offset the impact of increasing costs on profits.

As primary producers of an important and basic metal your Company has always taken a long term view in formulating its development plans. It has not allowed temporary difficulties to alter its sights. For example, in 1968, even as the Company was seeking export outlets for metal, then surplus to domestic requirement, it started construction of a new smelter on the West Coast designed to more than double its then production capacity of 40,000 tonnes per annum. However, the difficulties that I have referred to above are real and I must on your behalf request Government to recognise and remove them. We in turn will continue to plan for the future with the faith and confidence and within the larger framework of Government's own plans and projections.

New producer

I would like to take this opportunity of welcoming a new producer into the aluminium industry—Bharat Aluminium Company Limited, a Government of India undertaking. Balco's alumina plant was commissioned recently and it is planned to bring into production—in stages from next year—150,000 tonnes per annum of smelting capacity. The demand for aluminium is expected to rise from about 250,000 tonnes currently to 500,000 tonnes by the end of this decade. Balco will play a significant role in meeting this rapidly rising demand. We wish this undertaking every success. We hope the industry will benefit by a widening of its base and by possibly even greater understanding of its problems.

Before I conclude this address, I should like to pay a tribute to Mr. H.V.R. Iengar who retired in October 1972 after 10 years as Chairman of your Company. The progress that the Company has made in the last decade is largely due to Mr. Iengar's vision and his abiding faith in the future of this Company. May we wish him many years of happiness in his retirement.

Mr. M. A. Chidambaram, who had been a Director of your Company since 1956, also retired last year, due to the pressure of his other manifold responsibilities. We will miss his advice and counsel on the Board of Directors.

Lastly, I wish to thank on your behalf the management and all the employees of the Company for their continuing efforts and cooperation in fulfilling our common objectives and making possible the achievement of the past year.

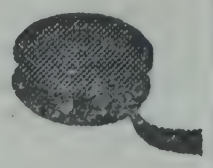
Note : *This does not purport to be a record of the proceedings of the Annual General Meeting.*

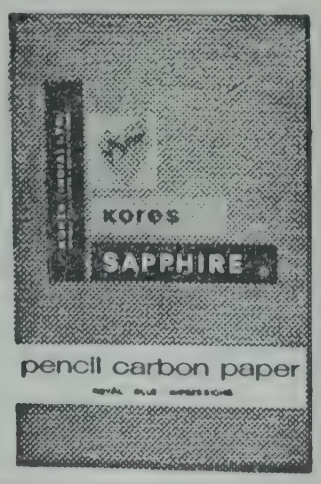
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RECORDS AND STATISTICS

Industrial production and policies for 1971-72

ACCORDING TO the annual report for 1972-73 of the Ministry of Industrial Development, the index of industrial production (base 1960-100) recorded a rate of growth of 7.3 per cent in the first nine months of 1972 as compared to the corresponding period of 1971. This satisfactory growth rate in the industrial production (during 1972) was in sharp contrast to a production growth of only 2.9 per cent during 1971, and of 4.8 per cent in 1970.

While part of the revival in growth of industrial production was due to a resurgence in the output of cotton textiles and of transport equipment, satisfactory growth has been recorded in output of basic industries (incorporating mining, heavy chemicals, cement and basic metals), The combined index for these basic industries shows a growth rate of some 9 per cent as compared to the average growth rate of industrial production by 7.3 per cent during the first nine months of 1972. The output of capital goods industries, incorporating mainly industrial and electrical machinery and transport equipment has also increased by about 7.5 per cent.

Electricity generated has increased at a saitisfactory rate, by some 11 per cent over 1972 (calendar year). At the same time, the increase does not appear to have been sustoined throughout the year or in all parts of the country, with consequent need for power cuts in many parts of the country, which poses a major problem for the continued growth of production.

Apart from the broad groups of industries already listed, major industries which have shown rapid growth in production during 1972 are nitrogenous fertilisers, viscose staple fibre, and filament yarn, nylon filament yarn and polyester fibre, automobile and tractor tyres and tubes, drugs and medicines, lead. zinc and antimony, steel castings, heavy structurals, cast iron spun pipes, steel pipes and tubes, ball and roller bearings machine tools, selected items of industrial machinery, electrical cables and wires, and ship building and repairing. Detailed figures of production of different industries are given in the table (page 881-86).

A major feature of 1972 has been the significant increase in the output of a number of public sector projects under the ministry. The output of power generating equipment at the three plants of the Bharat Heavy Electrials Limited, taken together, as also of the Heavy Electricals plant at Bhopal, increased by more than 50 per cent during 1972 (calendar year) . The output of different types of cables at Hindustan Cables plant increased at varying rates, the overall increase in production being again more than 50 per cent. The output of the National Instruments and Ophthalmic Glass unit at Calcutta increased by 16 per cent. The HMT, however, showed mixed performances, and apart from the Pinjore unit, the output at the other plants of the HMT has either been stagnant or has declined, mainly because of plant shut down owing to labour troubles. Newsprint production at Nepa has increased marginally by five per cent, and of Instrumentation Limited, Kota by 1½ per cent.

Utilisation of Capacity

A factor in the growth of industrial production during 1972 has been better utilisation of capacity. Although the constraint of demand inadequacy has continued to affect certain industries like stationary diesel engines, capacity utilisation in general, has improved. Indeed, in a number of industries like cement, paper, aluminium, caustic soda, soda ash and calcium carbide, capacity limitation has been the constraint on growth of production, leading to temporary shortages. In most of these industries, capacity utilisation has been quite high, at 90 per cent or more. Better availability of raw materials helped to improve capacity utilisation in a number of steel based industries like steel pipes and tubes. Demand constraints and production problems (including disturbed labour-management relations) prevented better utilisation of capacity in a number of industries like stationary diesel engines, for which demand had remained at a low level until the recent power cuts pushed up the demand for standby diesel sets for power generation.

Industrial Investment

All available indicators point to increased industrial investment during 1972. The total capital raised by non-government companies, under approvals given by the Controller of Capital issues increased from Rs 66 crores in January-September 1971 to Rs 101 crores in January-September 1972—an increase of more than 50 per cent. The total Plan outlay on industry in 1972-73, budgeted at Rs 799 crores, marked a significant step up on the Plan outlay in 1971-72. The demand for construction materials particularly structural steel has remained high and indicate an acceleration in project construction and building activity More particularly, the projection of disbursement of IDB assistance to industry shows a step up from Rs 94 crore during July 1971-June 197 to an estimated figure of Rs 15 crores during July 1972-Jun 1973. During the fiscal yea 1971-72 (April-March), disbursements of assistance by term financing institutions had increased by nearly 25 per cen to a total of Rs 182 crores.

Of the total sanction of R 164 crores of financial assistance during 1971-72 by the IDBI as much as Rs 140 crores wer sanctioned for 10 major industries; manufacture of industria machinery (Rs 53 crores) fertilisers (Rs 28 crores) iron and steel (Rs 22 crores) paper (Rs 16 crores); electri machinery (Rs 6 crores); auto mobile tyres (Rs 4 crores) metal products and miscellaneous chemicals (Rs 3 crore each); and basie chemical and synthetic fibres (Rs 2 crores each).

Approvals given by the Capital Goods Committee (fo import of plant and equipment amounted to Rs 144 crore during the ten months Apri 1972-January 1973, as compared to Rs 101 crores durin April 1971-January 1972. O this amount, the Capita Goods (Main) Committe cleared imports worth Rs 9 crores, the *ad hoc* Commit tee Rs 11 crores and the Ex port-Oriented Committee Rs 1 crores. Of the clearance wort Rs 94 crores given by the CG (Main) Committee, Rs 1 crores were for the automobil industry; Rs 11 crores for th electrical industries; Rs 1 crores for engineering industries Rs 5 crores for iron and steel Rs 17 crores for rubber base industries (mainly tyres an tubes); Rs 12 crores for chemicals: Rs 4 crores for paper: an Rs 2 crores for textiles othe than cotton. The main increas as compared to last year wer for new capacity expansion i

he engineering and tyres and ubes industries.

Industrial Licencing/Foreign Collaboration

The total number of Letters of Intent and industrial licences issued during 1972 were 877 and 563 respectively as compared to 1015 Letters of Intent and 625 industrial licences issued during 1971. The major industrial sectors for which Letters of Intent for establishing new undertakings were issued are metallurgical industries (57), electrical equipment (51), transport equipment (61), industrial machinery (32), miscellaneous engineering industries (34), the whole range of chemical industries (other than fertilisers) (113), and food processing industries (33). Substantial capacitics have been licensed in a number of fields such as cement, paper, calcium carbide, industrial gases, automobile tyres and tubes, and automobile ancillaries.

Registration System

In respect of investment propositions below Rs 1 crore which are exempted from licensing, a system of registration has been prescribed so as to enable the government to keep in touch with the activities in this sector. The number of units registered under this category with the DGTD has been 169 in 1970, 376 in 1971 and 695 in 1972. Subtantially increased activity in this sector has beeh noticed in light engineering steel based items.

In spite of the raising of the exemption limit, the number of applications for industrial licenses recorded a sharp increase after the announcement of the new licensing policy in February 1970 and has continued at a high level thereafter. The number of applications received in 1970 were 3,033 followed by 2,932 in 1971 and 2,848 in 1972. Licences and Letters of Intent have been issued in larger numbers and more liberally. The following table will show the number of industrial licences and letters of intent issued after the announcement of new policy.

Year	Industrial Licences issued	Letters of Intent issued
1968	222	158
1969	221	331
1970	363	438
1971	626	1015
1972	877	563

The total number of foreign collaboration cases approved during 1972 were 256 of which 36 involved financial participation and the rest were concerned with the transfer of technical know-how on payment of royalty/technical know-how fees. The active pursuit of intentions by entrepreneurs is also borne out by the number of applications received from foreign collaboration investment. (See table below).

Import Substitution

While the overall import bill has gone up in 1972 partly in response to a short-fall in agricultural output and partly because of an increase in import prices, the programme of import substitution in the industrial sector has made further progress. With industrial production increasing by some 7.3 per cent during 1972, the value of import licences (and release orders for supply of imported raw materials by the canalising agencies) recommended by the DGTD during April 1972-January 1973 was Rs 423 crores against Rs 380 crores during April 1971-January 1972. However, against the overall increase in recommendations for import licensing by Rs 43 crores, there has been an increase of 47 crores in the value of recommendations for the import of components of boilers and power generating equipment alone, with a view to enable the power equipment manufacturing units to place advance import orders for the supply of long lead components required for future power stations. Several essential industrial raw materials and intermediate products as well as items of equipment have come into production for the first time in 1972, like direct overhung steam turbines needle roller cages, several new ranges of industrial roller chains, aluminium bearing metal alloy, iron powder, silicon carbide, synthetic grains, data entry devices.

With improved industrial relations, there has been a steady reduction in the number of mandays lost because of strikes lockouts and industrial disputes. As compared to 19 million mandays lost during 1969 and 20.6 million mandays lost during 1970, the total number of mandays lost during 1971 came down to 16.6 million, and further, to 15.2 million during 1972.

Prospects for 1973

Judging from the trends of production and other indicators, there is ground for cautious optimism as to the growth of industrial production in 1973. There is evidence of a step-up in industrial investment. Apart from increased licensing of Capital Goods imports and larger disbursements of assistance by the term lending institutions, there has been an acceleration of Plan outlay on industry. The availability of indigenous steel has improved during 1972, although there may be a slow down in import arrivals partly owing to the increasingly longer lead time quoted abroad for deliveries of steel and partly because of a sharp upward increase in prices of steel in international markets. The rate of growth of industrial production that might be attained during 1973 will, to a large extent, be governed by the rate of growth of textile industry—which has heavy weightage in the production index, and where last year's high growth rate may not be sustained; secondly, the power supply situation, where the cuts imposed in several areas recently could seriously affect the continued growth of industrial production; and finally, the availability of steel and other imported raw materials, to sustain the growth of production.

Policy Measures

Government's policies during the year have been directed towards activising the sluggish rate of industrial growth and creating conditions in which an accelerated rate of industrial growth will be possible on a sustained basis. In the short term the urgent need has been to activate industrial growth through the capacities and facilities already available. It was with this end in view that government announced on the January 1, 1972 the facilities for fuller utilisation of existing capacity in 54 selected industries. In October. 1972 these facilities were extended to 11 more industries. Applications for revision of licensed capacity under these facilities were allowed in the ordinary way, except for applications from larger industrial houses

Foreign Collaborations—1969-72

Year	Applications received	Applications disposed of	No. of cases approved	No. of cases which involving financial participation
(1)	(2)	(3)	(4)	(5)
1969	322	214	135	29
1970	429	380	183	32
1971	456	406	245	46
1972	511	457	256	36

and foreign concerns which were scrutinised by a Task Force constituted specially for this purpose. In all, 787 applications were received up to December 31, 1972, for fuller utilisation of capacity of which 265 were to be considered by the Task Force. The applications for utilisation were mainly concentrated in industries such as, transport equipment, electrical equipment, drugs and pharmaceuticals, etc.

Government have continued to devise a variety of measures for the revival of industrial growth. In West Bengal, the 16 point-programme appears to have borne fruit in bringing about improved industrial relations, re-opening of a number of closed units and improved entrepreneurial interest in investment. Government also took over the management of sick textile and engineering units in different parts of the country. The management of 18 textile and eight engineering units was taken over during 1972, making the total number of such units taken over to 51 in textiles, 10 in engineering industries and there in the sugar industry.

Increased output

In order to secure increased output from public sector undertakings, an Action Committee headed by a Member of the Planning Commission, was appointed to go into the operational and other problems of the production units, with a view to removing the bottlenecks to fuller utilisation of capacity. The Action Committee has visited a number of undertakings and its recommendations have already been implemented with a view to improve production ina number of undertakings.

Government's policies and procedures have also been reviewed over a wide front. In the context of the fifth five-year Plan, government's endeavour is to maintain a durable framework of licensing and other connected polies and provide greater certainty in the investment climate. In addition, the aim has been to step up the speed of disposal and concurrently, the quality of scrutiny. The processing of a licence application has to be viewed not as an isolated act of disposal but as a process of setting up production capacities in the overall context of the country's requirements as reflected in the Plan. The projects have to be looked at as a whole and the policies and procedures relating to various aspects of project implementation have to be harmonised accordingly.

Stimulated Growth

Through their Press Note dated the February 2, 1973 government announced certain changes in industrial policy designed to stimulate growth in all priority industries of importance to the fifth Plan, subject to a more effective enforcement of social objectives. The definitions of larger industrial houses for licensing purposes (which is based on the Report of Industrial Licensing Policy Inquiry Committee) and for the control of concentration of economic power (which is based on the MRTP Act, 1969) have been brought in time and a parity established by the adoption of the lower limit of Rs 20 crores as well as the definition of inter-connected undertakings as provided in the MRTP Act, 1969. This is designed to result in a more effective control on the concentration of economic power. Government have also consolidated the list of industries which are open for the participation of larger industrial houses and foreign concerns, along with other applicants. These categories of undertakings are expected to participate in and contribute to the establishment of the industries so listed (in the Annexure to Appendix IV,) provided the Item of manufacture is not one that is reserved for production in the public sector or in the small scale sector. They will ordinarily be excluded from the industries not included in this list except where export obligations to the extent of 60 per cent of the additional production (75 per cent in the case of industries normally reserved for small-scale units), are undertaken.

Along with these measures, an important part of policy has been to encourage competent small and medium entrepreneurs in all industries. Such entrepreneurs will ordinarily be preferred *vis-a-vis* the larger industrial houses and foreign concerns, in the setting up a new capacity. Licensing policy will seek to promote production of ancillaries, wherever feasible and appropriate, in the medium or small-scale sector. Co-operatives, and small and medium entrepreneurs will be encouraged to participate in the production of mass consumption goods. with the public sector also taking an increasing role. Other investors will be allowed to participate in the production of mass consumption goods only if there are special factors such as sizeable economies of scale, reduced prices, technological improvements, large investment requirements, substantial export possibilities or as part of modernisation.

Guidance Bureau

Government are also reviewing the facilities available at the national and state levels for encouraging new entrepreneurs. Government had earlier established in the Indian Investment Centre, a Bureau of Entreprenurial Guidance, functioning in New Delhi and Culcutta. While small industries service institutes and other agencies and programmes have provided the frame-work for encouragement of entrepreneurs in the small-scale sector, a greater measure of attention will be necessary in regard to medium scale industries upto an investment limit of Re 1 crore which could be set up without a licence, subject to certain conditions as to foreign exchange outgo involved. The services provided to entrepreneurs have to be of an integrated type to be really effective. Having these considerations in mind, and the need for imparting decisive momentum to the process of growth of new entrepreneurs, government propose to constitute a panel of experts to review the existing arrangements for promoting small and medium entrepreneurs and suggest what further steps are needed.

The process of encouraging new entrepreneurs also requires systematic feeding of information as to the oppurtunities available for investment. In the context of the requirements of the fifth Plan, government's intention is to work out the order of capacities that may be required to be annually licensed and to publish annually a list of industries where there is scope for licensing. Government hopes that through publication of such lists the entrepreneurs as well as licensing authorities can take more considered decisions in regard to the setting up of new capacity.

If capacities have to be set up effectively and in time and in a manner envisaged by the government, sufficient care has to be taken at the stage of issuing Letters of Intent to ensure that the parties are competent and the projects will have a reasonable prospect of being implemented. Government will ensure that licensing decisions conform to the growth profile of the Plan and that techno-economic and social considerations such as economies of scale, appropriate technology, growth of new entrepreneurs balanced regional development and development of backward areas, are fully reflected.

Speedy Implementation

Government have been laying increasing stress on implementation. As already stated, the pre-condition for successful implementation is careful licensing. Succeseful implementatiou will also depend on the awareness that a project is an integrated effort irrespective of the approvals it may require or the stages it may have to pass through, and the various decisions and approvals of government should be consistent and harmonious to

get it moving. An examination is therefore being made of the various stages of approvals of a project in this total context. A panel of experts has been constituted under the NCST to review the existing foreign collaboration guidelines and refine the illustrative lists. As regards capital goods, a group of officers and consultants has submitted a report on ensuring speedy clearances as part of quicker project implementation and also the steps by which the procedures for the import of capital goods could be improved, and the delays in consideration of import application reduced.

For ensuring that our capital goods requirements are met speedily and our indigenous capability in this regard is increased, government's policy towards machinery industries has also been reviewed in order to see whether within the overall frame-work of government's industrial policy a "sub-policy" for machinery industries can be evolved. The formulation of such a policy will take into account the versatility of many of the manufacturing facilities in machinery industries which could be put to greater use in the drive towards greater import substitution, quicker implementation of projects and fuller utilisation of capacity. A panel of technical experts has been constituted to go into some of the relevant issues in this regard.

Utilisation of Capacity

The utilisation of indigenous machinery capacity could also be speeded up by initiating a system of tripartite consultations between manufacturers of end products. machinery manufacturers and the government. The feasibility of such consultatioas was discussed in detail in the meeting of the Central Advisory Council of Industries held in November, 1972 and since then steps have been taken to have recourse to such tripartite discussions in an increasing measure. Similar consultations and discussions in regard to critical problems of industrial development have taken place. In the meeting of the Central Advisory Council, apart from the general economic situation and industrial development, fuller utilisation of industrial capacity, self-reliance with particular reference to machine building industry and technological support to industries were subjects which were discussed. Certain problems relating to states were also discussed with state Industries ministers in a Conference specially convened for this purpose in September, 1972. Among other things, a review was made of the working of the State Industrial Development Corporations who have been issued a number of Letters of Intent and licences for a variety of industries.

Government's policy has been to ensure that the technological inputs to industry are available in a speedier measure and the fullest support is given to indigenous technological development. A series of measures have been initiated by the Department of Science and Technology, in which the Department of Industrial Development is also participating. These include an inquiry into research and development in the private sector, a review by a number of panels of NCST into the status of R &D in certain industries, the preparation of Science and Technology Plan, etc. Besides, a Sub-Group on R &D of the Indo-British Technological Group, has also had discussions in regard to the methods of improving indigenous technological capability in India.

Government policies continued to be oriented to encourage investment and production in the small-scale sector as well as the creation of industrial capacity in backward areas. This has been done in diverse ways, in particular :

(a) more liberal provision of industrial inputs;

(b) direct fiscal incentives;

(c) promotional activity, including the reservation of certain fields of production for the small-scale sector; and

(d) encouragement given to the growth of ancillary industries through industrial licensing, by encouraging, indeed, stipulating purchase of components from ancillary units. A positive directive has been given in this connection to public sector units, many of which have helped in the setting up a whole range of ancillary units in the small-scale, through provision of training, testing facilities and other assistance.

INDUSTRIAL FINANCE CORPN. OF INDIA

5.3/4 Bonds 1985

Payment of Interest and Repayment of Principal guaranteed by the Government of India

Amount of Issue	:	Rs. 12,00,00,000.
Issue Price	:	Rs. 100.00 per cent.

Redeemable at par on the 30th April 1985

The Bonds are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act, and are also eligible for grant of advances to scheduled banks by the Reserve Bank of India. These are on the approved list of securities of the State Bank of India and are also eligible for investment of the accumulations of the Provident Funds, exempted as well as non-exempted.

Subscription will be received in cash/cheque at the Branches of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna from Monday, the 30th April 1973. The list will be closed without notice as soon as the total subscriptions amount to Rs 12.00 crores, and in any case, not late than the close of business on Friday, the 4th May 1973. The Corporation reserves the right to retain subsriptions received upto 10%in excess of the sum of Rs 12.00 crores.

The Bonds will have a currency of 12 years, and will be repaid at par on the 30th April 1985. These will bear interest at the rate of 5¾% per annum from the 30th April 1973. Interest will be payable half yearly on the 30th October and 30th April and will be subject to tax under the Income Tax Act 1961.

Copies of the Prospectus and application forms can be had from the Offices of the Reserve Bank of India as also from the Head Office of the Corporation at Bank of Baroda Building, 16-Parliament Street, P.B. No. 363, New Delhi-1, its branches/ sub-offices at (i) Jivabhai Chambers, Ashram Road, P.B. No. 4049, Ahmedabad-9, (ii) 22-Mahatma Gandhi Road, P.B. No. 5091, Bangalore-1, (iii) 20-Forest Park, Bhubaneswar-9, (iv) Mehta Mahal (5th Floor), 15 Mathew Road, P.B. No. 3928, Bombay-4, (v) 4-Mangoe Lane (2nd Floor), P.B. No. 2483, Calcutta-1, (vi) G.N. Bardoloi Road, Chandmari, P.B. No. 30, Gauhati-1, (vii) 6-3-631 Zilla Parishad Road, Khairatabad, P.B. No. 11, Hyderabad-4, (viii) Aggarwal Building, Canal Crossing, The Mall, P.B. No. 319, Kanpur-4, (ix) Raji Building (3rd Floor), 147-Mount Road, P.B. No. 1080, Madras-6, (x) 43-Pataliputra Colony, Patna-13 and also from the Delhi Division at 5-Parliament Street (Jeevan Tara Building), New Delhi-1.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of six paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds tendered by them and bearing their stamps.

New Delhi
Dated the 10th April, 1973.

C.D. Khanna
Chairman
davp. 806(1)/73

Production of Industries in 1971 and 1972

S. No	Name of the Industry	Accounting Unit	1971			1972			Remarks
			No of units	Installed capacity	Actual production	No of units	Installed capacity	Actual production	
1	2	3	4	5	6	7	8	9	10
	INDUSTRIAL MACHINERY								
1.	Sugar Mill Machinery	Rs Lakhs	16	2300	1634.75	16	2300	1800	
2.	Cement Mill machinery	,,	10	2600	323.00	10	2600	200	
3.	Conveyors	,,	16	864	1042.00	16	960	1100	
4.	Printing Machinery	,,	6	96	37.25	7	96+ to be assessed	45	
5.	Reduction Gears	,,	13	562.00+ M. G. 1600 Nos	576.00	15	643+ M.G. 1700 numbers	700	
6.	Tea Processing Machinery	,,	6	256.4	101.41	6	256.4	88.48	
7.	Steel Plant Equipment	,,	2	NA	1628	2	NA	1500	
8.	Metallurgical M/C	,,	15	—	708.71	18	—	600.00	
9.	Rayon Plants	,,	4	—	141.99	4	—	165.00	
10.	Pulp & Paper m/c	,,	13	666	535	15	1288	675	
11.	Cranes	M.T.	29	45000	9710	29	45000	10000	
12.	Lifts	Nos	3	910	575	3	810	620	
13.	Industrial Roller Chains	Rs Lakhs	5	145	146.037	5	255	185	
14.	Ball and Roller Bearings	Nos	7	172,23,320	188,65,454	7	207,02,520	210,00,000	
15.	Jute Machinery	Rs Lakhs			494,23,32			644	
16.	Chemical & Pharmaceutical Machinery industry heavy fabricated machine for Fertilizer & Chemicals	Rs lakhs	59	2740 lakhs + 2531 lakhs	Rs 2020 lakhs	60	3318 lakhs + 271.lakhs	Rs 2760 lakhs	
17.	Railway Wagon	Nos. (in terms of 4 wheelers)	16	32819	8010	16	33869	9721	
18.	Dairy Machinery	Rs Lakhs	3	257	347	5	532	370	
19.	Rubber Machinery	,,	2	58	20.06	9	1020	30	
20.	Ceramic Machinery	,,	1	12	7.91	5	120 + (capacity not fixed for registered units)	20	
21.	Transmission Towers	Tonnes	18	95100	.57767	18	95100	60000	
22.	Ship Building/Repair	Rs Lakhs	14	368	974.78	14	868	1,000	
23.	Light, Medium & Heavy Structurals	M. Tonnes	92	3,65,000	1,04,210	93	3,70,200	1,18,000	
	LIGHT ELECTRICAL INDUSTRIES								
1.	GLS Lamps	Mill Nos	11	83.40	110.57 1361.78	11	128.70	125.00	
2.	Fluorescent Tubes	,,	7	9.20	10.56 805.49	9	15.30	13.00	
3.	Miniature Lamps	,,	7	33.80	39.34 198.93	7	56.60	44.00	
4.	Electric Fans	,,	17	1.81	1.96 3662.81	17	2.75	2.75	
5.	Dry Cells	,,	7	539	579.5 2761.20	7	539	679.5	
6.	Storage Batteries	Lakh Nos	7	128	11.55 1916.8	7	12.8	10.96	
	HEAVY ELECTRICAL INDUSTRIES								
1.	Transformers	Million KVA	29	9.265	10.156	29	9.255	10.8	
2.	Electric Motors	Million HP	33	3.1	2.6	33	3.1	2.0	
3.	Motor Starters	Nos	11	3,77,764	3,82,684	11	3,77,664	3,72,650	

(Contd.)

1	2	3	4	5	6	7	8	9	10
4.	Switch Gear & Control Gear	Lakhs	42	—	4508.95 lakhs	45		4,721 lakhs	
5.	AAC/ACSR Conductors	MT	38	1,02,280	73,365	40	1,06,850	86,000	
6.	Winding Wires								
	(i) Enamelled Winding Wires	MT	24	65,570	13,061	26	18,313	14,000	
	(ii) Paper Covered Winding Wires	MT	18	6,162	10,579	18	10,579	6,500	
7.	PILC Power Cables	K.M.	11	21,379	17,199	11	20,397	16,800	
8.	PVC Power Cables	K.M.							
9.	PVC/VIR Cables	M.C. Yards	26	949.23	540.37	27	961.23	625.20	
10.	Dry Core Cables	K.M.	1	4000	1700	1	4000	2500	
11.	Coaxial Cables	K.M.	1	4250	256	1	4250	500	
12.	Bare Copper Conductors	M.T.	4	14200	860	4	14,200	500	
	HEAVY ENGINEERING INDUSTRIES								
1.	Boiler & Boiler Mountings	Rs Lakhs	13	1150 1.3 MKW	4092 Lakhs Rs	13	1330 1.3 MKW	5000 Lakhs Rs	
2.	Cast Iron Casting (Including) Alloy Iron Castings	Tonnes	47	3,28,600	1,04,000	60	3,50,000	1,20,000	
3.	Steel Castings (including Alloy Steel Casting)	,,	42	1,37,470	54,300	44	1,35,270	62,000	
4.	Malleable Iron Castings	,,	11	22,100	17,000	12	28,000	18,900	
5.	S.G. Iron Castings	,,	10	7,838	2,100	10	7,838	2,650	
6.	Precision Instrument Castings	,,	7	108	—	2	108	15	
	INSTRUMENTS								
1.	Industrial Process Control Instruments	Rs Millions	9	129.2	73.7	9	137.5	81.2	
2.	Scientific & Surveying Instruments	,,	12	37.5	23.0	12	44.5	38.4	
3.	Water Meter	Lakh Nos	6	3.2	1.61	6	3.2	1.32	
4.	Medical & Surgical Instruments	Rs Millions	8	35.0	16.6	9	37.5	20.1	
5.	X-Ray & Electro-medical Equipment	,,	6	31.5	27.66	6	38.0	30.2	
6.	Photographic & Photo Copying Instruments								
	(i) Box Cameras	Nos	1	80000	1.66 lakhs	1	4.80	2.75	
	(ii) Photo Copying Machine	,,	1	200	132 Nos	1	214 Nos	150 Nos	
	(iii) Photo Scanning Machine	,,	Nil	Nil	Nil	2	1500 Nos	200 Nos	
7.	House Service Meters								
	(i) Single Phase	Lakh Nos	15	16.27	22.03	15	16.27	15.27	
	(ii) Poly Phase	,,		4.30	6.4		4.30	3.2	
8.	Electrical Measuring, integrating, recording instruments	Rs Millions	9	26.5	20.80	10	48.00	36.00	
9.	Jewels & Jewel Bearings	Million Nos	2	9.00	4.8	2	9.00	5.5	
10.	Electrical Contacts	Rs Million	2	5.00	7.0	3	17.50	10.50	
	GLASS INDUSTRY								
1.	Sheet Glass	Mill Sq. ft	4	22.0	16.54	6	22.0	20	
2.	Glass Shells	Mill Pieces	7	165	137	7	165	166	
3.	Vacuum Flasks	Mill Pieces	3	4.5	3.8	3	4.5	4.5	
4.	Lab. Glassware	Tonnes	1	7200	896	1	7200	1800	
5.	Bottles & Vials	,,	22	2,40,000	1,80,000	23	2,64,000	2,00,000	

(*Contd.*)

Production of Industries in 1971 and 1972—(*Contd.*)

1	2	3	4	5	6	7	8	9	10
				PAPER INDUSTRY					
1.	Paper and Paper Board	Tonnes	59	8,82,000	7,74,799	59	9,24,000	3,13,338	
2.	Newsprint	,,	1	35,000	40,081	1	75,000	42,048	
3.	Rayon Grade Pulp	,,	2	87,000	53,994	3	1,23,000	72,776*	*Estimated figures
4.	Paper Grade Pulp	,,	1	21,500	22,230	1	22,500	21,591*	*Estimated figures
				LEATHER INDUSTRY					
1.	Vegetable Tanning of Hides	Cow Hides	9	21,66,000	9,61,631	9	21,66,000	10,52,060	
2.	Chrome Tanning of Hides	Hides	9	21,40,000	11,36,000	10	21,72,500	49,57,800	
3.	Western type of Leather Footwear	Pairs	8	1,38,47,000	83,50,003	8	1,38,47,000	95,39,850	
4.	Indian type of Leather Footwear	Pairs	8	96,67,000	76,37,248	8	94,67,000	59,74,900	
5.	Picking Bands	Kgs.	5	5,01,360	1,06,238	5	5,01,360	78,235	
6.	Leather Beltings	Kgs.	5	2,10,000	57,727	5	2,10,000	43,300	
7.	Glue	Kgs.	3	28,20,000	27,20,244	3	28,20,000	30,35,480	
8.	Myrobalan Extract	Tons	2	7,700	1,077	2	7,704	935	
9.	Cotton Hair Belting	Tons	2	18	47.10	2	18	32.80	
				RUBBER GOODS					
1.	Giant Tyres	Nos.	8	20,35,000	23,63,753	8	22,00,000	24,00,000	
2.	Giant Tubes	,,	8	20,35,000	21,23,327	8	22,00,000	23,00,000	
3.	Motors Tyres	,,	8	10,00,000	11,48,292	8	10,00,000	13,00,000	
4.	Motor Tubes	,,	8	10,00,000	13,03,445	8	10,00,000	14,00,000	
5.	Motorcycle Tyres	,,	6	2,00,000	1,86,141	5	2,00,000	1,50,000	
6.	Motorcycle Tubes	,,	5	2,00,000	2,10,024	5	2,00,000	2,25,000	
7.	Scooter Tyres	,,	8	4,50,000	4,91,833	8	4,50,000	5,00,000	
8.	Scooter Tubes	,,	6	4,50,000	3,98,055	6	4,50,000	3,80,000	
9.	Bicycle Tyres	,,	15	243,86,000	206,63,383	15	318,26,000	224,00,000	
10.	Bicycle Tubes	,,	14	222,00,000	134,54,884	16	289,50,000	146,00,000	
11.	Aero Tyres	,,	1	12,000	13,871	1	12,000	17,000	
12.	Aero Tubes	,,	1	5,000	3,919	1	5,000	2,000	
13.	ADV Tyres	,,	7	1,62,000	2,11,727	7	1,75,000	2,50,000	
14.	ADV Tubes	,,	7	1,80,000	2,39,195	7	2,00,000	2,50,000	
15.	Tractor Tyres	,,	6	1,60,000	2,28,579	6	1,60,000	2,75,000	
16.	Tractor Tubes	,,	5	1,65,000	2,20,572	5	1,65,000	2,40,000	
17.	Off-the-road Tyres	,,	3	13,500	14,903	3	13,500	16,000	
18.	Off-the road Tubes	,,	3	13,500	11,233	3	13,500	13,000	
19.	Cab Tyres	Meters	2	20,000	3,320	2	20,000	7,000	
20.	Ebonite Rods & Tubes	Kgs.	7	37,400	2,079	7	37,400	5,000	
21.	Waterproof Fabrics	Meters	9	29,00,000	37,00,930	10	49,15,500	34,48,000	
22.	Latex Foam Sponge	Kgs.	4	10,22,000	11,88,623	4	10,22,000	12,28,000	
23.	Rubber Footwear	Pairs	11	55 Million	441,71,737	11	52 million	445,50,000	
24.	Dipped Rubber Goods	Nos.	3	2216,00,000	1545,27,415	3	22,16,00,000	8,31,000	gross
25.	Radiator Hoses	,,	7	5,23,000	4,80,792	8	5,23,000	5,30,000	
26.	Vacuum Brake Hoses	,,	8	11,50,000	11,53,443	8	11,50,000	11,93,000	
27.	Other types of Hoses	Meters	13	78,40,000	35,06,375	15	78,40,000	54,15,000	
28.	Fan Belts	Nos.	6	52,60,000	22,99,000	6	52,60,008	27,00,000	
29.	Industrial V. Belts	,,	5	—	—	5	—	39,00,000	
30.	Rubber Compounds & Railway Fittings	,,	6	6,90,000	1,19,274	6	6,90,000	1,10,000	
31.	Camel Back	Kgs.	11	133,30,000	150,35,657	11		145,75,000	
32.	Contraceptives	Nos.	2	325 million	1167,47,593	2	325 million	5,52,000 gross	
33.	Rubber Transmission Belting	M.T.	5	4,200	2971.14	5	4200	3260.00	
34.	Rubber Conveyor Belting	M.T.	4	3,100	2993.16	4	3100	3735.00	

Combined capacity for Fan & V. Belts.

(*Contd.*)

1	2	3	4	5	6	7	8	9	10
	FOOD PROCESSING INDUSTRIES								
1.	Biscuit	M.Ts.	31	94,200	64,556	31	94,200	68,700	
2.	Confectionery	,,	23	37,152	17,385	23	37,152	18,100	
3.	Flour Milling	,,	144	44,11,556	25,24,552	146	44,77,956	29,21,000	
4.	Cigarettes	M.Pcs.	13	57,688	65,779	13	57,688	61,000	
5.	Breakfast Foods:								
	a. Corn & Wheat Flakes	M.Ts.	1	900	350	1	900	325	
	b. Processed Pearl Barley	,,	3	5328	1,620	3	5,328	1,250	
	c. Processed Rolled Oats	,,	1	2100	341	1	2,100	325	
6.	Malt Extract	M.Ts.	2	5000	3,815	2	5,000	4,060	
7.	Gaur Gum	,,	5	26100	15,094	5	26,100	15,300	
8.	Fr. & Veg. Preservation	,,	22	78107	24,433	22	78,107	26,750	
9.	Meat Products	,,	4	1600	410	4	1,600	930	
10.	Filter Rods for Cigarettes	M.Pcs.	1	900	952	1	900	1,037	
11.	Aerated Water	M. Bottles	36	1790	105,399	36	1,790	1,065	
12.	Protein Isolate	M.Ts.	1	1,500	218	1	1,500	240	
13.	Open Top Sanitary Cans	,,	8	49,151	19,385	8	49,151	19,700	
14.	Infant Milk Food	,,	6	20,983	16,815	6	20,983	18,500	
15.	Milk Powder	,,	12	18,253	11,768	12	18,253	12,000	
16.	Condensed Milk	,,	6	13,800	8441	6	13,800	9,650	
17.	Malted Milk Food	,,	8	13,667	12,029	8	13,667	11,200	
18.	Starch	,,	9	1,68,600	93,213	9	1,68,600	1,05,566	
19.	Dextrose	,,	2	30,600	11,237	2	30,600	11,200	
20.	Liquid Glucose	,,	5	54,500	20,110	5	54,500	23,550	
21.	Enzymes	,,	1	7,300	533	1	7,300	540	
22.	Drinking Chocolate	,,	3	—	742	3	—	760	
23.	Cocoa powder	,,	3	642	40	3	642	42	
24.	High Protein Food	,,	1	1500	1005	1	1500	1200	
25.	Instant Coffee	,,	2	1664	1586	2	2139	1600	
26.	Instant Tea	,,	2	512	259	2	—	194	
27.	Ice Cream	1000 litres	6	7995	3363	6	7995	5162	
	MISCELLANEOUS CHEMICALS								
1.	Nitric Acid (Industrial use)	Tonnes	27	75,464	69,109	26	1,14,714	74,000	
2.	Phosphoric Acid (Industrial use)	,,	15	13,700	17,660	10	12,640	20,000	
3.	Chloro Sulphonic Acid	,,	3	13,000	7,380	3	13,000	13,000	
4.	Phosphors	,,	2	5,000	604	2	5,000	1,000	
5.	Alum	,,	7	5,780	370	4	1,790	Nil	
6.	Aluminium Sulphate (Iron free)	,,	9	11,600	3,988	9	11,650	4,000	
7.	Alumina Ferric	,,	14	1,29,100	1,18,279	14	1,29,100	1,20,000	
8.	Bichromates	,,	4	8040	7,490	4	8,040	8,000	
9.	Ammonium Nitrate (Explosive grade)	,,	1	18,000	16,519	1	18,000	17,000	
10.	Butyl Alcohol	M.T.	4	14,250	5,451	4	16,250	6,500	
11.	Butyl Acetate	,,	4	7,230	3,096	4	7,230	3,000	
12.	Formic Acid	,,	—	—	—	2	1,500	650	Adjusted to demand
13.	Monochloroacetic Acid	,,	2	2,050	2,542	2	2,050	2,800	
14.	Potassium Chlorate	,,	3	5,574	5,634	3	3	5,800	
15.	Calcium Carbonate	,,	4	16,620	13,827	4	16,520	14,000	
16.	Hydrogen Peroxide	,,	2	4,550	3,221	2	4,550	3,300	
17.	Synthetic Cryolite	,,	2	4,790	3,188	4	4,830	3,500	
18.	Aluminium Fluoride	,,	2	2,490	2,372	2	2,490	3,000	
19.	Borax	,,	1	17,000	10,164	1	17,000	1,100	
20.	Boric Acid	,,	1	3,000	2,295	1	3,000	2,300	
21.	Fluorocarbon Refrigerant Gases	Tonnes	2	2,700	1,047	2	2,700	1,100	
22.	Sodium Perborate	,,	1	625	567	1	625	700	

(*Contd.*)

Production of Industries in 1971 and 1972—(*Contd.*)

1	2	3	4	5	6	7	8	9	10
23.	Sodium Silco Fluoride	,,	3	524	401	*4	*524	410	
24.	Calcium Carbide	,,	5	69,500	69,516	5	69,500	47,200	2240 69600
25.	Acetylene Black	M.T.	1	900	474	1	900	500	
26.	Formaldehyde	,,	5	46,800	24,783	6	49,200	33,000	
27.	Furfural	,,	1	1,500	22	1	1,500	NA	
28.	Formic Acid	,,	—	—	—	2	1,500	680	
29.	Hexamine	,,	2	900	262	2	900	600	
30.	Monochloroacetic Acid	,,	2	2,050	2,542	2	2,050	2,800	
31.	Methyl Isobutyl Ketone	,,	1	3,700	1,279	1	3,700	1,200	
32.	Meta Aminophenol	,,	1	750	100	1	750	300	
33.	Pentaerythritol	,,	1	1,200	308	1	1,200	600	
34.	Rubber Chemicals	,,	2	4,670	4,189	2	4,670	4,600	
35.	Sodium Hydrosulphite	,,	3	9,288	5,869	4	12,288	7,500	
36.	Sodium Sulphoxylate Formaldehyde	,,	1	1,800	125	1	1,800	130	
37.	Oxygen Gas	Th. M3	52	71753.0	54137.4	55**	74413.0	59,000	
38.	D.A. Gas	,,	35	11499.0	6222.1	36†	12537.0	6,400	
39.	Argon Gas	,,	3	354.0	229.5	4††	460.0	300	
40.	Hydrogen	,,	5	1437.0	1001.6	5	1437.0	1,000	
41.	Nitrogen	,,	20	21604.0	11262.9	20	21604.0	11,400	
42.	Nit. Oxide	Mil. Lit.	3	300.0	239.5	3	300.0	240	
43.	Co-2	Tonnes	24	17958.0	10473.3	24	17958.0	10,500	
	AGRO INDUSTRIES								
1.	Agricultural Tractors	Nos.	6	32,200	16.545	7	42,500	18,301	
2.	Power Tillers	Nos.	1	1,000	146	3	2,500	149	
3.	Combine Harvesters	Nos.	1	600	265	1	600	381	
	CONSTRUCTION EQUIPMENT								
4.	Shovel/Excavators Dragline & Modifications thereof	Nos.	2	150	98	2	150	120	
5.	Dumpers	Nos.	3	250	69	3	350	132	
6.	Crawler Tractors	Nos.	3	600	233	3	600	251	

*One of the unit of M/s. Adarsh Chemicals & Fertilizers Ltd., Udhna, Distt. Surat are licensed for production of 360 tonnes of synthetic Cryolite/Sodium Silico Fluoride. This capacity has already been accounted for Cryolite.

**M/s. Madras Oxygen & Acetylene, Madras and Hyderabad & Bangalore units of M/s. Asiatic Oxygen Ltd., have gone into production with an installed capacity of 908.0 Th. M 3,876.0 Th. M3 and 876 Th. M3 per annum respectively.

†The above units have also started production of DA Gas. The capacities installed are 288.0, 375.0 and 375.0 Ther. M 3 per annum respectively.

††M/s. Hindustan Gas Ind. Ltd., Calcutta have installed 106.0 Th. M3 per annum respectively.

(*Contd.*)

1	2	3	4	5	6	7	8	9	10
7.	Loaders	Nos.	2	60	47	2	60	45	
8.	Motorised Scrapers	Nos.	2	75	47	2	75	44	
9.	Motors Graders	Nos.	1	60	26	1	60	32	
10.	Road Rollers	Nos.	6	1,520	336	6	1900	736	
				PAINTS, ENAMELS/VARNISHES					
1.	Paints, Enamels and Varnishes	Tonnes	17	98,890	68,000	16	1,14,300	69,000	
2.	Wire Enamels/Impregnating Varnishes	,,	1	4,500	3,783	1	4,500	3,700	
3.	Titanium Dioxide	,,	1	6,500	5,427	1	6,500	5,800	
4.	Aluminium Powder/Paste	,,	3	1,200	1,627	3	3,100	2,200	
5.	Zinc Oxide	,,	4	19,000	5,408	4	19,000	4,950	
6.	Red Lead	,,	3	12,240	3,237	3	18,000	7,300	
7.	White Lead	,,	1	1,040	704	1	3,048	730	
8.	N.C. Lacquers	M. Litres	4	2,736	1,819	4	2,736	1,900	
9.	Brake Fluid	K. Litres	6	4,258	1,195	6	3,390	1,300	
10.	Printing Inks.	Tonnes	6	8,920	7,098	6	11,000	7,500	
11.	Beneficiated Ilmenite	,,	1	30,000	15,186	1	25,000	18,500	
				INDUSTRIAL EXPLOSIVES/ACCESSORIES					
1.	Blasting Explosives	Tonnes	2	47,000	32,319	2	47,000	33,371	
2.	Safety Fuses	Mill. Coils	2	14.10	8.1	2	14.10	8.9	
3.	Detonators	Mill. Nos.	2	168	106	2	168	151	
4.	Detonating fuse	Mill Meters	1	9	5.4	1	9	6.3	
				AUTOMOBILE INDUSTRIES					
1.	Commercial Vehicles	Nos.	6	62,499	40,865	7	62,400	37,466	
2.	Jeeps	,,	1	10,000	11,053	1	10,000	2,589	
3.	Cars	,,	3	47,400*	39,325	3	47,400*	40,039	
4.	Diesel Engines (Vehicular)	,,	1	15,000 (600 p-6 Series Vehicular +9000 P4 +P3 Series)	2,297	1	6,000	1,882	
5.	Motor Cycles	,,	3		39,731			47,557	
6.	Scooters	,,	4	1,67,300	67,212	8	1,67,300	64,331	
7.	3-Wheelers	,,	3		6,147			9,790	
8.	Mopeds & Scootrettes	,,	4		14,113			21,607	

*Achievable capacity argued before Car Price Commission.

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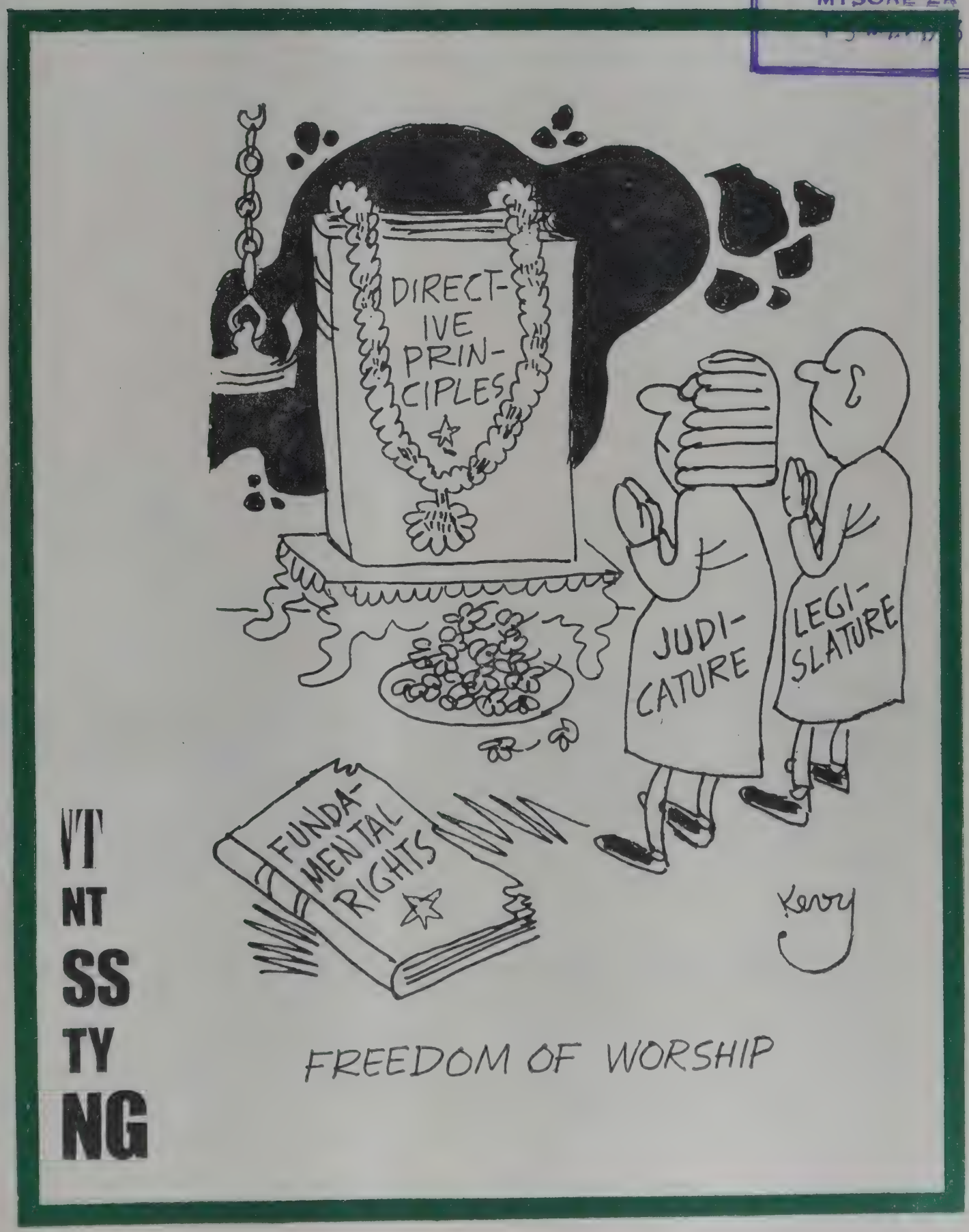
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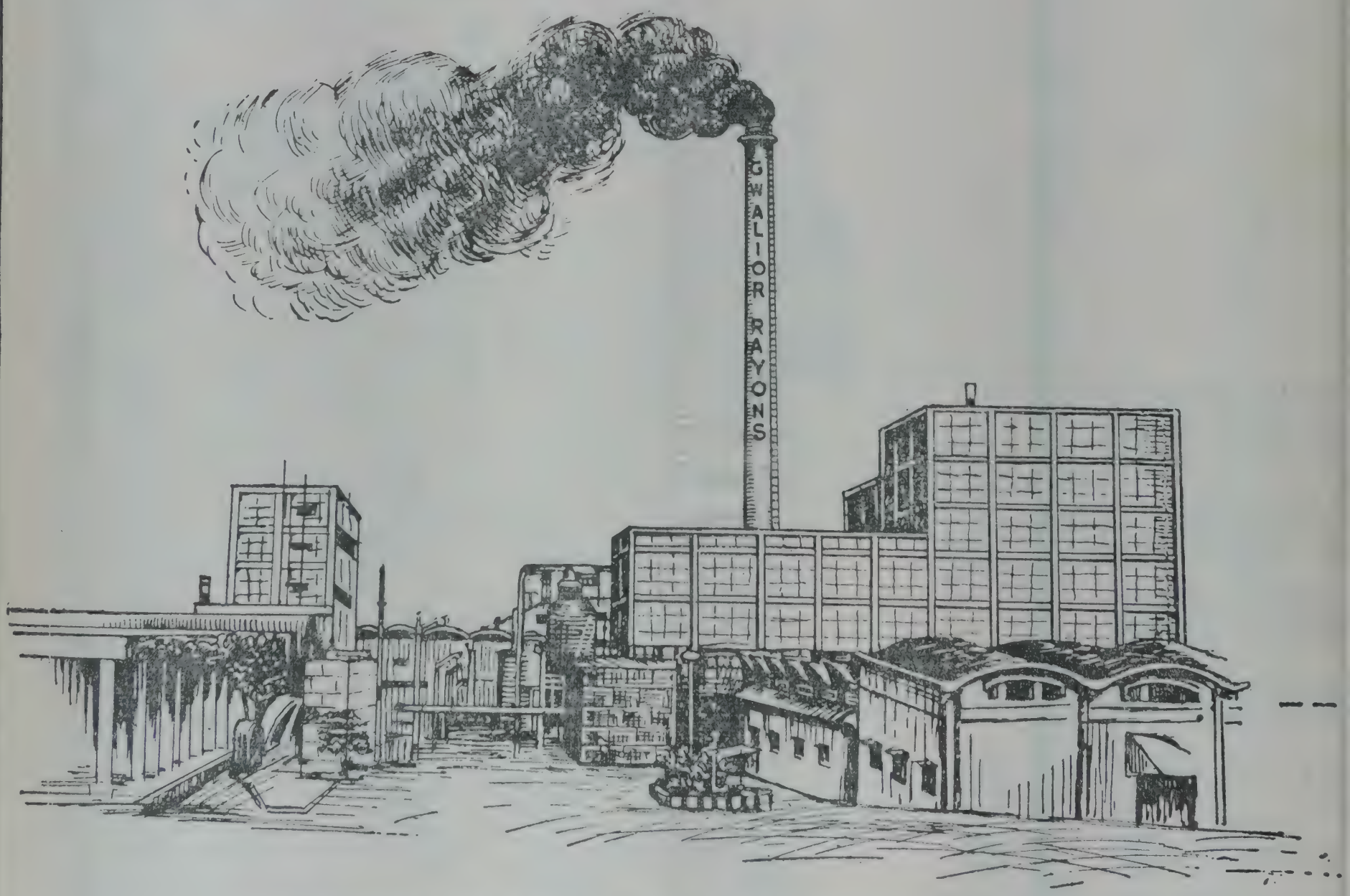
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NAGDA (MP)

Indignant interrogative

THAT THE central government's action in elevating one of the judges of the Supreme Court to the post of Chief Justice in supersession of three other judges, who were senior to him on this Bench, was *mala fide*, need not be discussed at length since this sordid aspect of this sorry business is as plain (in the sense of being obvious) as the nose on Mrs Indira Gandhi's face. What is however important and what must therefore remain a live issue of public concern and debate is whether the present government is to be allowed to succeed in its purpose of reducing the Supreme Court not merely to a lion under the throne but a lamb tied to a post in the courtyard of the royal palace.

Much would depend of course on the way the government uses the opportunity which it had been coveting and which it now has of packing the Supreme Court with its hand-picked nominees. The ultimate result would however depend on whether the Supreme Court, which is now in the process of being reconstituted, chooses to function in the true spirit of the responsibilities with which it has been charged under the Constitution of the Republic of India. It is after all even in the narrow personal interests of the judges of the Supreme Court themselves—independent of the circumstances of their promotion or appointment—that this great institution, which has its own status and obligations laid down in the Constitution, should not let itself become an arm of the government of the day. Public opinion, outraged by recent developments and alerted as never before to the dangers posed to democracy by the political aggrandisement now being practised as a policy by the present government, will surely stay vigilant and watch critically the functioning of the Supreme Court under the changed conditions.

Shabby as the government's onslaught on the independence of the Supreme Court is, it has been rendered even more indecent by its timing. That the Political Affairs committee of the cabinet, led by the prime minister, should have chosen to deal in such a high-handed manner with the claims of the seniormost judge to succeed the retiring chief justice, so soon after the Court had delivered judgment on what had come to be known as "the fundamental rights case", shows to what extent the arrogance of power has turned the head of the present regime in New Delhi. The majority view expressed by the Supreme Court on this occasion has sought to interpret the Constitution in such a way as to uphold its basic purpose and spirit while relating the letter of the law to the changing socio-economic problems and needs of a fermenting society. While denying to Parliament the right to abrogate the fundamental rights or otherwise alter the basic structure or framework of the Constitution, it has recognised Parliament's authority to abridge fundamental rights to the extent this may need to be done for the purpose of preserving or promoting the common good.

Simultaneously the majority view has affirmed the Court's own jurisdiction and firmly asserted its responsibility to pronounce on the point whether in any particular instance Parliament's powers to amend the Constitution or abridge the fundamental rights in the process have been abused. Could it be possible that the present government has become so intolerant of limits on its freedom of political action, even when such limits are essential to the preservation of our democratic order, that it plans to reduce the Supreme Court and in due course Parliament itself to rubber stamps of its will or whim? This question will remain an indignant interrogative in our public affairs long after the dust raised by the resignation of the three superseded judges has settled down.

eastern ECONOMIST

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Incomes, wages and profits

THE SEMINAR on "Incomes Policy and Industrial Relations organised in the capital from April 23 to 26 by the Shri Ram Centre (SRC) for Industrial Relations and Human Resources spotlighted a large number of constraints in the evolution of a coherent incomes policy for a vast country like India. The largeness of the unorganised sector in this country was considered to be the greatest limitation as it would be extremely difficult to regulate incomes in this sector. The fiscal and monetary policies of the governmet were also likely to act as constraints. Expansion in developmental and non-developmental expenditure, resort to deficit financing and the growth in money supply would stagnate the real salaries and wages. The price policy held the key to the incomes policy and if, through Herculean efforts, an incomes policy was ultimately evolved, it would falter at the implementation level.

The provocation to hold a seminar on the above subject came, according to Dr C.K. Johri, the seminar director, from the news in the press that the Planning Commission had taken a decision on the need for an adequate and realistic incomes policy with a view to achieving the social objectives of the fifth Plan. It was felt that such a policy was likely to be limited to the monetised sctor and within that, the organised sector. If and when an incomes policy for this sector was evolved, it would certainly play a vital role in industrial relations. But to make the incomes policy meaningful, it would be necessary to bring within its focus not only the wage earners but the salaried class and profits as well.

According to newspaper reports, Prof S. Chakravarty, Member of the Planning Commission, has already submitted the interim report of the expert committee on the incomes policy. The committee is reported to have recommended that the total wage receivable by a worker should consist of (i) minimum wage; (ii) skill differential; (iii) compensation for exceptional hazards; (iv) growth dividend; (v) dearness allowance; and (vi) share in profits. Strangely, there is no mention of either the capacity of a unit to pay or any linkage with productivity. Without knowing the full contents of the expert committee's report, it is unfair to pass any judgment on its incomes or wages policy. What needs to be underlined is that at the seminar the participants which included academicians, research scholars, managers, journalists and trade union leaders, hardly left untouched any aspect bearing on the yet-to-be-evolved incomes policy for this country.

In his welcome speech, Dr Bharat Ram, chairman of the Board of Governors of SRC, warned that this country should not rush ahead and adopt some foreign innovation of the incomes policy which might or might not work in our environment. Also, he said that the self-employed constituted the largest work force in India, and if the incomes policy did not cover this large segment of society, new distortions in the economy would take place. He urged the government to take the business community into confidence so that it could strengthen the government's hand.

The official stand on the incomes policy was elaborated by the union Finance minister, Mr Y.B. Chavan, who emphasised the fact that the determination of income distribution could not be left entirely to the free play of economic forces. Every modern state had tried to influence the pattern of income distribution through fiscal measures, he added. In his view, an incomes policy represented an attempt on the part of the state to ensure that the growth of money incomes of different sections of society was in conformity with wider national priorities. Homever, he hastened to add that it was an extremely complex subject and, therefore, this country would have to move rather cautiously after examination of all the relevant factors. One fact which stood out clearly was that an incomes policy — whatever its contents — could not succeed if it did not have the willing support of the organised working class.

In his key-note address, Dr V.K.R.V. Rao, a former union minister, recalled that the broad features of the national incomes policy in the organised sector had been spelt out by the Industrial Truce Resolution adopted at the tripartite meeting of workers, employers and government in 1947 which included the following considerations: (i) protection of the interests of consumers and primary producers; (ii) payment of fair wages to labour; (iii) availability of a fair return on capital employed in industry; (iv) building of reasonable resources for the maintenance and expansion of the undertaking; and (v) sharing of the remainder of their common product by both labour and capital. One thing which was very clear from this resolution was that even 26 years ago, the government as well as the worker had exhibited some concern for the consumer. In today's environment, there was hardly a mention in any industrial dispute of equity to the poor consumer.

Scrutinising the available data, Dr Rao concluded that not all wages in the organised sector had reached the level of the minimum wage, leave alone a fair wage or a living wage. The capacity of a unit to pay the minimum wage or the fair wage was capable of varying interpretations and there was no unanimity about it. However some quarters had even questioned the moral justifiction of the existence of such industries which failed to pay the minimum wage (whatever it may mean!). The existence of a large number of unemployed workers had, however, made the enforcement of the minimum wage rather difficult.

Analysing the statistics compiled by the Labour Bureau of the government of India, Dr Rao came to the conclusion that organised labour in this country had received a raw deal in respect of wages. Whereas money earnings rose by 45 per cent between 1951 and 1963, real earnings rose by 14 per cent only during the same period. The inflationary spiral has eroded the purchasing power of workers in a drastic manner during the sixities. Between 1961 and 1970, money wages rose by 75 per cent while real earning dropped by two per cent. "It is clear" said Dr Rao, "that it is not only the middle class that has suffered from the inflation and rising prices associated with planned development; contrary to popular impressions, the working class has also been a major victim of this process".

Very often the demand is made in this country that increased wages of labour should be linked with improved productivity. Historical data in this regard has shown that workers have not been paid in accordance with the rise in productivity. Between 1951 and 1964, the productivity of organised labour in this country is reported to have risen by 56 per cent while real wages rose by five per cent only. This was also the finding of the National Commission on Labour. Said the Commission: "The increases in the money wages of industrial workers have not been associated with the rise in real wages nor have real wage increases been commensurate with the improvement in productivity".

In a recent article in the *Economic Times*, Dr S.A. Palekar, Senior Research Fellow of the Shastri Indo-Canadian Institute, came to the same conclusion. He said: "During the period of 25 years real wages have been static, the workers have not been paid in accordance with the rise in productivity, and on the top of all this, they have not received a subsistence wage". The myth that the industrial worker in this country had been materially improving his position as a result of planned development stood exploded.

It was pointed out by one of the participants that the real wages of the more arti-

culate section of the working class had shown some improvement. Also, in the case of enterprises at the upper end of the scale, the real income of the non-managerial employees had outpaced the inflationary trends and real incomes had increased within the span of the last 10 to 20 years. However, the averages computed by researchers on the basis of the Labour Bureau data did not bring out clearly the gains made by some sections of organised labour through intensive trade unionism. The representatives of trade unions made no bones about it. They clearly enunciated their policy of attempting to get for organised labour as big a share in the national product as they could through all weapons available to them. Of course, the well-organised trade unions in industry as well as trades had succeeded in obtaining good bargains; those placed in strategic positions had without doubt benefited the most. In the view of one of the participants, they (unions in strategic positions) were not averse to holding the society to ransom for the attainment of their objective.

A statement which was repeated very often throughout the seminar was that price inflation in a developing economy was inevitable. There were supporters of deficit financing if for no other reason than for accelerating capital formation. But it was also recognised that only small or moderate doses of inflation could be absorbed by the wage earners. Violent fluctuations tended to strain industrial relations leading to demands for increases in dearness allowance and bonus (which has lately lost its true meaning of profit-sharing). Along with the inevitability of inflation in a developing economy, it was also argued that complete neutralisation of the rise in prices through dearness allowance was not in the interest of the worker because the consequent increase in money supply raised prices further nullifying the advantage by and large, though not to the complete extent. The suggestion was made that an attempt should be made to improve the real wages of a worker through non-market mechanism so as to put more goods in his hands instead of more money. This involved freezing of wages at a certain level and payment of compensation for all future increases in prices through the supply of consumer products at the same prices as prevailed at the time of the wage-freeze. Doubts were however expressed about the efficacy of this solution because the inflationary fire would be fed by increased money supply as it did not matter as to who spent the money in the market place — the employer or the wage earner.

The salary scales of the professional managers and senior civil servants came in for bitter criticism. But those drawing more than Rs 1,000 a month formed a small fraction of the total salary earners in government and in industry (both public and private sectors). While discussing salary scales, more attention is paid to the few privileged managers while the vast majority of the white collar workers are completely neglected. The pertinent question was, therefore, raised: "What should be the salary differential between the highest and the lowest paid employees?" Citing data collected by the Pay Commission, it was suggested that the range must be anywhere between 1:5 and 1:10. A strong case however was made in favour of the high incomes of managers which, it was stated, were influenced by the market forces of demand and supply. As there was a dearth of managerial talent, increased salaries were a natural consequence. The failure of many of the public sector undertakings to put up good financial performance was ascribed to the incapacity to attract talented managers. The comparatively high job security and sense of frustration for lack of opportunities was also having an ill effect on the performance of public sector undertakings.

That the prosperous and enterprising private sector companies (including some foreign companies) had attracted the cream of our university students was brought out in a vivid manner by a number of participants. The percentage of first class graduates and post-graduates who applied for Class I government services, had decreased considerably. The starting salaries of Class I officers in government and public sector undertakings was anywhere between one-half and one-third of the salaries offered by the big private sector companies which meant that the former had to make-do with what it could get after the top-notchers had been absorbed by the latter. The trade union leaders harped on the well-known complaint that the managerial class in this country was enjoying a very high standard of living in the Indian context forgetting that, as stated earlier, this country was suffering from paucity of managerial talent.

Lately, a new trend was visible in this

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist", this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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country in the sense that some of the managers from private companies had been moving to public sector undertakings even though the emoluments were less rewarding. Three reasons were offered as possible explanations for this change in preference. First, the mobility might be due to the desire of managers "to get away from the high tension, highly paid job in the private sector to the low tension, low comfort of the public sector". Second, the public sector was fast expanding and offered immense opportunities to the talented manager. Third, the country has adopted socialist policies and there is without doubt a stigma for being attached to and working for a foreign company. Whatever the reason for the mobility of managers from the private sector to the public sector, the latter — it was clear—was not able to profit from the experience of these talented persons because of red-tapism and bureaucratic interference.

Will the reduction in the salaries of a very small group in the top income bracket help in improving industrial relations? The answer to this question was definitely in the negative. More attention needed to be paid to the salary structures and pension schemes of the large number of white collar workers. The rising trend in prices had made a mockery of the pensions received by the retired persons. The example was cited of former French colonies where pension was not static but dynamic and moved up in value if the salary of the post from where the pensioner retired was increased. The revision of the pension depending on the changes in the salary of the post last held could protect its real value.

On profits, there was not much of a discussion except the poor performance of the public sector undertakings. The usual argument was advanced by some participants that the public sector undertakings were not set up with the profit motive and that they had some large social obligations to perform. This line of reasoning came in for rebuttal in two ways. First, the huge investment of funds in the public sector was one of the reasons for the current inflationary spell in the economy since through massive losses, they had strained the resources of the economy to a large extent, Second, it was not true that the public sector undertakings had not been set up for making profits. In fact, some of them had a good record of return on capital employed and every effort was being made to make them more profitable, even by the induction of private sector managers. The undertakings which had been making losses, were doing so because of certain inherent inadequacies and mismanagement. Efforts were being made to put them on a sound footing.

The seminar failed to arrive at a consensus. If there was a consensus, it was only in this respect that the question of an incomes and wages policy could not be thrashed out in a hurry. The very complexity of the question demanded a cautious approach.

Calcutta port & Indo-American trade

THE SEMINAR held in Calcutta on April 21 and 22 on Indo-American trade brought out clearly the vital part played by the Calcutta port in promoting the country's export and import trade especially with the United States. It was jointly sponsered by the Eastern India Council of the Indo-American Chamber of Commerce ,the Indian Chamber of Commerce, the All-India Manufacturers' Organisation, and the Commissioners for the Port of Calcutta. With the improvement in the political relations between India and the USA, the prospects of developing and diversifying trade also appear to have substantially brightened. The sponsors of the seminar therefore chose the right time to highlight the importance of the Calcutta port and to urge the imperative need for its rapid modernisation.

That the Calcutta port plays a major role in Indo-American trade will be clear from the fact that in 1971-72 it handled imports valued at Rs 137.05 crores out of our total imports of Rs 416.52 crores from the USA or 32.9 per cent. In the same year, the port accounted for Rs 127.90 crores worth out of the total exports to the USA valued at Rs 267.79 crores or 48.9 per cent. The main commodities exported to the USA through the Calcutta port are jute manufactures, tea, mica, lac, and various types of engineering products. Indian goods at present have only a small share in the USA's import trade. In 1972, the total imports into the USA from all countries amounted to about Rs 41,700 crores of which India's share was Rs 319 crores or 0.8 per cent. If we are to pursue energetically objective of self-reliance, we have to give far more serious attention to our exports especially to the United States. In 1971-72, 16.4 per cent of our exports went to the United States, compared to 10.5 per cent to the United Kingdom, 13.1 per cent to Russia, 11.4 per cent to Japan, and 2.3 per cent to West Germany.

Jute goods received a great deal of attention in the discussion in the seminar. Many participants dealt with the implications to our foreign trade of the fierce competition faced by jute goods from synthetics. They urged New Delhi to take immediate and effective measures to help the jute industry to improve its competitiveness by removing the export duty, by facilitating the modernisation of its machinery, and by increasing the production and productivity of raw jute.

Mr Tarun Kanti Ghosh, West Bengal's minister for Commerce and Industry, who inaugurated the seminar, revealed that during his recent discussions in New Delhi, the Finance ministry had given him the impression that there was no immediate need to remove the export duty on jute goods since the prices of synthetics were showing a tendency to rise. But the West Bengal government does not seem to have strongly supported the jute industry's case for fiscal relief. Dr B. P. Kedia, deputy chairman of the Indian Jute Mills Association, said at the seminar that "no proper fight" on behalf of the jute industry had yet been made. He rightly suggested that the industry could not fight single handed and that the government, jute growers, mill-workers and shippers must all join forces with manufacturers. He said that "the versatile jute which still enjoys a remarkable product preference with a reasonably low and stable price and some supply assurance, merits this joint national effort".

Mr R. B. Shah, president of the Indian Chamber of Commerce, recalled that even in the eighties of the last century, there were complaints about the Calcutta port charges being much higher than those of Bombay and Chittagong. India had a monopoly in those days in certain items like jute. But since the situation today had vastly changed, it was necessary to keep the port charges at economic levels. He also stressed the need to improve the navigability of the Hooghly river and to expedite the construction of the deep sea port at Haldia which is to serve as a subsidiary to the Catcutta port.

The inadequacy of the handling facitities at the Calcutta port was clearly brought out by some participants in the seminar. Mr D. C. Sen, Assistant Manager of Scindia Steam Navigation Co., said that the port authorities did not maintain 100 per cent tally of the cargoes discharged from the vessels and that what was shown in their landing receipts fell far below the manifested quantities. Mr Sen added, "The condition in which the goods

are stacked in the port premises and handled by the port labour after discharge from the ship and prior to loading into wagons is not satisfactory and large numbers of bags burst with contents scattered all over, right from the quay line to the sheds, and torn residues are thrown away. At times, hooks are used by labour though it is prohibited. The cotton bags are emptied and pilfered by labour". He also referred to the difficulties faced by the steamer companies on account of the inordinate delay, sometimes even of six or seven months, in issuing out-turn reports by the port authorities.

An important subject discussed at the seminar related to the unitisation of cargoes. It was pointed out by some speakers that steps should be taken urgently for unitising cargo by modern methods of packaging, pelletising, preslinging, and containerisation. These devices would help India to bring down the costs of exports and augment the earnings of foreign exchange. Some of the goods in respect of which unitisation can be introduced are carpet-backing rolls, gunnies and cotton bagging, tea, cast iron pipes and castings, mica, cashews, sewing machines, fans, bicycles, fruit juices, coffee, pepper, galvanised tubes and steel. It was pointed out that Japan, Hong Kong and Taiwan had developed their exports to the USA by perfecting the packaging for the quick out-turn in the USA. It was therefore suggested that attempts should be made in our country to study the mode of transport and handling in the USA by the shipowners, the railways, the shippers, and the manufacturers.

The large scope that exists for developing the Indo-US trade will be clear from the table at the end.

In his speech at the Indo-American Chamber of Commerce recently, Dr Daniel P. Moynihan explained vividly the tremendous opportunites that lay ahead for India to step up her exports to the USA. He said that in 1972 the gross national product of the USA was Rs 864,000 crores and it would be around Rs 950,000 crores in 1973, an increase in one year of Rs 86,000 crores. In 1972 the USA's imports amounted to Rs 41,700 crores and in the current year, the estimate is Rs 45,900 crores The ambassador said that if India merely maintained its share of 0.8 per cent, her exports to the USA in 1973 would grow by Rs 34 crores to Rs 353 crores. But if it increased its share to 1.6 per cent, it would add Rs 67 crores to the 1972 level for exports to the USA.

The government of India should therefore carefully examine the suggestions made at the seminar and take immediate measures to improve the facilities at the Calcutta port to enable it to handle efficiently the changing volume and variety of export and import cargo.

Indo-American Trade

Calender year	U S imports from India	% of total US imports	US exports to India	% of total US exports
	million $		million $	
1967	298	1.11%	950	3.05%
1968	312	0.90%	715	2.10%
1969	344	0.90%	514	1.37%
1970	298	0.75%	572	1.32%
1971	329	0.72%	648	1.47%

Repaying U S loans

THERE IS considerable confusion about the liability of the central government to USA in respect of rupee counterpart funds arising out of the PL 480 Agreement Title I and Development Loan Fund loans. The aid given by USA to our country in various forms actually amounts to a staggering total as large amounts have been given in dollars which are repayable in dollars on a specified basis. Then there are the commodity agreements under PL 480 Title I which are repayable in part in dollars while the rupees are being repaid to India with no definite stipulation in regard to their liquidation except on a negotiated basis. The aid given on Title II under the PL 480 Agreement is of course an outright grant while Development Loan Funds are repayable in dollars or rupees, the latter being convertible into dollars at the option of US government when the repayments take place over 40 years with an initial grace period of 10 years.

No difficulty has been experienced in regard to the repayment of loans under the agreement terms where foreign exchange is involved and our record of servicing foreign obligations is so clean and scrupulous that its reputation as a reliable developing country is high in the international banking world. The curiosity about the role PL 480 Funds and the liability of the government of India in regard to the repayment of these funds has arisen in the minds of the Indian public only because there has been so much discussion recently about how the accumulated funds should be treated and adjusted without creating any serious embarrassment to the lender and the borrower.

It has been variously estimated that the outstanding amount of PL 480 rupee funds is Rs 2,400 crores or Rs 2,250 crores after allowing for outright grant for various productive purposes. Under the commodity agreements as much as 52.2 million tonnes of wheat, 5.5 million tonnes of sorghum and maize. 1.8 million tonnes of rice, four million bales of cotton and five lakh tonnes of vegetable oil besides various other commodities have been supplied between 1951 and 1971 and the rupees have been credited to the US account at the exchange rate prevailing at the time of realising the value of the commodities involved. Out of the rupees so realised 80.6 per cent was returned by the USA to our government for being used for productive purposes on an agreed basis. Here, again, there were outright grants and the liability is now limited only to the loans given out of rupee accumulations for financing part of the expenditure on transportation schemes, power projects, agricultural development and so on.

The main difficulty arises out of a continuing accumulation of rupee resources even with a suspension of concessional commodity imports or the former type of DLF loans which are repayable in dollors or rupees and, as stated earlier, can be converted into dol-

lars if there are rupee payments at the option of the US government. According to the latest statistics provided by US government sources, out of the rupee accumulations $ 432.2 million is roughly on account of portions of loans which have a defined repayment basis. If there are repayments against DLF loans in rupees, the US government can exercise its option to convert these repayments. About Rs 2000 crores was attributable to rupee counterpart funds under the PL 480 Agreement Title I and this amount will go on swelling as the bulk has been given in the form of interest bearing loans for various projects and the interest charges alone total to sizable sums. It has also been stated that a fairly large amount stands uncommitted. At the end of 1972 Rs 685.39 crores had not been disposed of, Rs 12 lakhs being kept in cash, Rs 1.7 crores with the State Bank of India, Rs 72.8 crores with American banks and Rs 610.6 crores with the Reserve Bank of India being invested in special securities.

No details are available about the nature of the negotiations that are being carried out presumably because they are in a delicate stage and no concrete proposals have emerged as to how the outstanding liability in rupees should be treated without creating any serious strain on the financial resources of our government or embarrassment to the USA. Our government should certainly be agreeable to a return of the amounts involved and DLF loans though it would like the repayments to be extended over a long period and request also the US government not to exercise its option to convert the rupees into dollars.

This would mean that unrequited exports will have to be effected over a period. As far the balance of Rs 2000 crores repayable only in rupees the US government would seem to be anxious that this amount should be funded on some basis and gradually reduced by taking credit in the central budget as grants for various purposes. Presumably the rupees will be used for some schemes relating to education, rural electrification, agricultural development or other projects. However, unless it is agreed that the outstanding amount will cease to carry interest from a specified date, the debt will continue to grow and the problem of repayment will assume difficult proportions.

It can certainly be expected that the team of experts on either side will be successful in arriving at a satisfactory solution especially as the US government has latterly been adopting a helpful attitude. If all goes well there may be some sort of funding operation which wlll have net effect, as indicated earlier, of bringing about a regular reduction in the total debt burden on our government. It should not hcwever be overlooked that there are no floating funds except for actual cash balances and bank doposits as even now over Rs 610 crores has been invested in special securities. The balance of over Rs 1300 crores relating to PL 480 funds is of course in the form of various loans for productive schemes and the central government can expect to get repaid from various sources.

If it is agreed that the repayments of these loans also can be used as grants, the central government will get definite budgetary assistance. But if the amount invovled in special securities (Rs 610 crores) has to be activised, the government will have to either create currency freshly or raise matching resources from other sources if part of this uncommitted amount is to be given to different project authorities as aid. The adjustment will necessarily have to be completed over a fairly long period. But if there was no interest accruing with US government on the outstanding amount after a specified date, the central government can successfully meet agreed obligations in respect of amounts that are left to be utilised by the US government, for its own uses by finding the requisite funds out of the revenue budget or raising capital receipts on the desired scale.

The whole exercise has to be carried out with great understanding. However, there need not be any serious upsets in budgetary calculations as the capability of our government for servicing new obligations has improved considerably and the real difficulty will relate only to Rs 610 crores invested in special securities. As the quantum of deficit financing in the last two years has exceeded over Rs 1500 crores on central and state government accounts, a judicious phasing of the absorption on grants or fresh loans out of uncommitted funds cannot create any new complications. What is needed is proper understanding and goodwill on all sides.

Eastern Economist 25 Years Ago

APRIL 30, 1948

The third session of the Economic Commission for Asia and the Far East which is to commence at Ootacamund, from the 1st June is important for more reasons than one. About one year has passed since the Commission was established on March 24, 1947 and a review of the progress made towards the achievement of the objectives set before it is now due. The session is the first one to be held on Indian soil and with the Indian aspirations running in the direction of closer inter-Asian relations, its deliberations are bound to arouse considerable interest. Moreover, there is some expectation—which a perusal of the provisional agenda of the session does not fully bear out that the Ootacamond session may witness the beginnings of the formulation of an Asian plan (a 'Nehru Plan,) analogous to the Marshall Plan. So far the Commission acting within the framework of its terms of reference has largely concentrated on a survey of the essential short-term requirements of the member countries in such matters as food, industrial development and trained personnel as also the promotion of trade among these countries. In some directions such as its consultations with the FAO to reduce food prices, its efforts are intended to bring real benefit to the Asian countries.

R.D. : God's good man

R. V. Murthy

"ANAYASENA MARANAM" is what most mortals aspire for, but only a fortunate few like Mr Rameshwardas Birla (R.D. to his friends and admirers) are destined to have. As late as around 9 a.m. on Saturday, April 21, 1973 after his morning coffee, R.D. was still saying : "We should have good rains this year" (he felt so concerned about the sufferings of people in the drought-affected areas for whose relief he had donated handsomely). And, by about 10 a.m., alas, he had breathed his last. "It was all so sudden," Mr G.D. Birla, who was by his bedside, was explaining to one distinguished caller after the other at the Birla House. And wave after wave of people of all classes kept on coming till long past the cremation hour that day. Such was the people's love and esteem for R.D. who personally was very shy and of quite a retiring disposition. But he richly deserves all the esteem and love of Bombayites. Every one of those who knew him intimately and whom I talked to had this in common to say of him. "He was God's good man."

irreparable loss

To the people of Bombay, R.D.'s passing away is literally an irreparable loss. During the past six decades and over that he remained in Bombay, he gave so much to them and in such diverse fields as commercial, educational, cultural, religious and political, that they can never forget this "God's good man". It is amazing that one who did not have any formal education could contribute so much to enrich the educational and cultural life of not only Bombay but of the country as a whole.

"What is the lasting impression that he has left on you?" I asked Mr J.K. Choksi of Tatas. His reply was that, although he did not have many occasions to meet R.D., he could never forget the punctilious way in which R.D. always complied with his request for proxies for Tisco's annual general meetings. I regard this as particularly noteworthy, as it must serve to dispel the mistaken notion that used to be spread off and on by a few interested parties that Birlas were bent on taking over the management of Tisco !

Another leading business man of Bombay, Mr Shriyans Prasad Jain, told me he had come across few persons more affectionate and courteous than R.D. "I have seldom seen him angry, but even when he became angry, the anger used to be only a passing phase; after a while he would completely forget what had happened. But his anger used to be aroused only when one suggested something that went contrary to what he considered as his mission in life". And his mission in life, as a contemporary disclosed to me, was "to be helpful to others and make them prosper".

remarkable foresight

Many must indeed have prospered beyond their wildest expectations if they were shrewd enough to take his tips on the market. And who would not ? It is acknowledged by one and all that his knowledge of market—commodities and shares—and his foresight were remarkable. His forecast, many have told me, always turned out to be right. Whenever it was a question of a new floatation or an important financial arrangement, it was R.D.'s advice that was sought. On market matters, a financial journalist told me, "R.D. was a wizard. There can be no greater proof of R.D.'s business acumen". he said, "than the prestige that Century commands today as a leading counter on all stock markets and all of it is due to R.D.". It is common knowledge that all the diversification and expansion of the Century Spinning & Manufacturing Company were inspired by R.D.

Making money was by no means R.D.'s passion, although he did make money. The more important thing is the use he sought to put this money to. As testimony to this side of his life, one has only to catalogue the innumerable causes —religious, cultural, social, educational, health and recreational—he supported. To confine myself to Bombay, there is the famous Bombay Hospital to make which a model hospital in the world, R.D. used to spend hours and hours until the very last day of his life on this earth. He was not satisfied with the more than 600 beds the hospital has today. Mr Shriyans Prasad told me R.D. was always telling him that they should add at least 200 beds more. R.D. was not content too with the facilities—and these are the best to be found anywhere—which the hospital has and was planning for the latest and the most advanced treatment of diseases like cancer—cobalt treatment. Take then the Girls' Hindi High School in Walkeshwar, one of the ideal educational institutions for girls to be found in any part of the country and a veritable boon to the Hindi-speaking residents of Bombay. Or turn to temple at Kalyan. It is not just the ancient and architectural style of the temple but the splendid setting in which it has been located as well that compel one's admiration.

Until a few years ago, Bombay, more so south Bombay, did not have a good, spacious and fully air-conditioned hall. But R.D. was there to sense it and soon make up the deficiency. The result was the memorable monument to his revered mother—Birla Matushri Sabhagar. One has to book this hall several months in advance. It is in such great demand, for considerable prestige is attached to programmes held in this hall. R.D. was not unmindful of the woefully inadequate recreational facilities for the children of Bombay either. Only a few years ago, he constructed the Birla Krida Kendra to perpetuate the memory of his illustrious father Raja Baldeodas Birla. He wanted to instal at this Kendra a huge bell on which "Quit India" Resolution could be engraved to inspire future generations.

Congress HQ

Talking of the "Quit India" resolution, I am reminded of August 8, 1942, when this resolution was adopted by the Congress Working Committee at Birla House. Birla House has witnessed many meetings of the Congress Working Committee when far-reaching decisions were taken. In fact, Birla House was, if I may so say, the unofficial headquarters of the Congress. Whenever Gandhiji was in Bombay, he used to stay in Birla House—and who would not like to have a host like R.D.? R.D.'s unstinted contribution to finance our freedom struggle is unforgettable, and all of it, let it be remembered, was before India became independent.

What more fitting tribute can one pay to this great son of India on this occassion than at least briefly to recall his self-effacing all round social service to his fellow beings? These are days when appreciation even for good work is neither so outspoken nor so spontaneous, odd though this may seem in the context of our age-old tradition.

The measurement of development

Dr M. A. Oommen

MODERN AGE may be said to be the age of economic development. After the second world war, countries from China to Chile have been forcing the pace of economic growth through deliberate efforts. But economic development, though important, is only one of the many dimensions of development.

The purpose of this article is to see development in a broader perspective and to indicate some of the problems involved in defining and measuring it. We consider it as a normative concept. As Myrdal rightly points out, every study of social problems, however limited in scope, is and must be determined by valuation.[1]

erroneous view

Modern economists, by and large, seem to view development from the point of view of economic growth only. Most of them consider development as synonymous with economic growth. *The International Encyclopedia of Social Sciences* also equates development with economic growth.[2] The rate of growth in Gross National Product (GNP) and its per capita expression is considered as conceptualising all what is relevant in development. The Committee for Development Planning appointed by the UNO to suggest proposals for the Second Development Decade held that *a fundamental objective* should be to accelerate markedly in regard to the present decade, the growth of gross product per head".[3] According to Gustav Ranis, real per capita national income represents "the most reliable indicator" of a system's economic development. He goes further and says: "Statesmen and philosophers have joined economists in recognising that economic growth defined in this way represents the most objective indicator of a society's welfare".[4] But the truth is that there will be many statesmen and philosophers who will not feel comfortable in the company of economists who visualise development from such a narrow perspective.

The overemphasis given to per capita income has led to a large outpour of what are called "growth theories" which seek to explain both the level of per capita income of a given system at a point of time and the determinants of changes in that per capita income from one period to the next. The major determinants of per capita income are the quantity and quality of population, the availability of capital and other material resources and the efficiency with which these are organised for productive activity. Most of the growth theories may be viewed as an elaboration of one or other of these aspects. One of the significant contributions of Marx to social science consists in viewing economic growth as part of a theory of social development. Most of them are abstract theories which do not seem to have more than pedagogical value to the problems of development of the developing world. Amartya Sen, whose contribution to growth theories itself is considerable, has observed: "Much of modern growth theory is concerned with rather esoteric issues. Its link with public policy is often very remote. It is as if a poor man collected money for his food and blew it all on alcohol".[5]

significant defect

Probably another significant defect in the overemphasis given to rate of growth of per capita income seems to be that planning, which is essentially a social process with several social objectives to be achieved, has practically become economic planning designed to maximise the rate of growth. No developing country which aims at an egalitarian society can have an increase in GNP along with an increase in inqualities of income and wealth, unemployment and mass poverty. "In Pakistan, which experienced a healthy growth rate during the 1960s, unemployment increased, real wages in the industrial sector declined by one-third, per capita income disparity between East and West Pakistan nearly doubled and concentration of industrial wealth became an explosive issue. And in 1968, while the GNP growth rate was at its peak, the system exploded, not only for political reasons but from economic unrest".[6] Brazil has achieved a growth rate close to seven per cent, but continuing maldistribution of income continues to threaten the fabric of its society".[7] Not only in Brazil, inequalities in income have increased in almost all the Latin American countries along with increase in the rate of growth of per capita income.[8] In India also, as revealed by several studies, inequalities in income have increased along with an increase in GNP despite the declared pronouncements in Plan documents and policy declarations that our aim is ushering in an egalitarian socialistic society. Instances like this could be multiplied.

unreliable norm

In fine, rate of growth in GNP cannot be accepted as a reliable measure or objective of development. It never tells us anything about the quality and life of the people for whom all growth is meant. It tells very little about the social cost with which the growth is achieved. An Indian Taj or an Egyptian Pyramid may be singled out as one of the wonders of the world. Very often the slave labour that built it is forgotten. Rapid economic growth may be achieved with the help of slave labour or at the point of Damocles' sword of concentration camps or at the loss of leisure and aesthetic pursuits of a large number of people or by polluting the earth's atmosphere. It may be pointed out here that it is not implied that GNP is the villain of the piece and that things would change once this accent is changed. Reduction in inequalities, social as well as economic, and reduction in unemployment and mass poverty—all these depend to a large extent on the existing property relations, the social philosophy of the government, the success of the leadership in carrying the people along with the programme of development, success of the fiscal measures and a host of other factors. All I am trying to indicate is that the increased accent on GNP has led to the neglect of several important social goals. Of course, such objectives as social justice, economic independence etc., which are necessary to ensure the dignity of man, are possible only with economic growth.

A question that naturally arises is whe-

ther the emphasis on social goals such as reduction in inequalities of income, unemployment etc., entail a slowing down of economic growth? Several western growth economists seem to hold the view that inequalities of income are essential for accelerating growth. This is based on the fact that the development of the present-day developed countries in the 19th century occurred because the marked inequality of incomes made possible large profits which stimulated dynamic entrepreneurial activity leading to economic growth. P.T. Bauer and B.S. Yamey seem to prescribe western capitalistic pattern of development for the developing world[9]. Harry Johnson bluntly says: "A poor ountry anxious to develop would probably be well advised not to worry too much about the distribution of income".[10]

untrue inference

The inferences based on western experiences need not be true for the developing world. It is unlikely that reduction of unemployment, inequalities etc., would induce a deceleration of growth. How could improved utilisation of human resources reduce output below the production levels of economies where a substantial proportion of labour is unemployed? On the contrary, it can be expected that fuller utilisation of human resources will produce far higher growth and investment rates than in the past.

Further, as has been already indicated, the results of a broad-based development strategy can no longer be tested exclusively by reference to economic growth. More direct attention may have to be paid to such factors as determine the welfare of individuals, e.g., nutrition, clothing, shelter, education, community facilities, greater sense of participation which may emerge as a result of reduction in social and economic inequalities and the like. When these and other aspects of life in the developing countries become the targets, GNP provides only an incomplete and somewhat misleading measure of development.

The sum and substance of the foregoing discussion is that economic growth should be viewed as part of a wider theory of development. Though it is very difficult to define development, an understanding of the concept is essential for planning for development and to measure its progress.

The purpose of development is admittedly to make people more human, by lifting them out of the dehumanising conditions of poverty, unemployment, ill-health, ignorance, etc. As the human essence is threatened by under-development, we may define development as humanisation. Denis Goulet argues that the concept of development is best expressed in the phrase "the human ascent", the ascent of all men in their quaintessence of humanity, including the economic, biological, psychological, social, cultural, spiritual and transcendental dimensions.[11] One major problem is to find out the sources from which to draw the values in regard to those qualitative changes involved? The plausible answer is to draw some of the values for the system of planned development from governments.[12]

The ultimate emphasis being the development of man, increasing participation of the people in the process of development is essential. A military dictatorship may force the pace of development without seeking the real participation of the people. Even in a so-called parliamentary democracy, the ordering of priorities for the people may come from a group of politicians or other vested interests without considering the interests of the people at large. The people for whom they plan may not be very much in the picture. More often they may be just labourers or wage earners with little sense of participation in the economy that is being developed.

imperfect content

An economy may be growing fast reckoned in terms of important social and economic indicators. But if the majority of the people are excluded from the ordering of the priorities of the society, then the form and content of development may be imperfect in a very significant sense. Of course, there is the serious problem of ensuring a model of participation that combines the maximum of popular participation in decision-making with the maximum probability that the wisest possible decision will be taken. No ready-made political framework which will ensure all these is available. In fact, the political system itself will have to be chosen by the people depending on the circumstances and background of the country concerned.

While we define development as humanisation, it is important to specify the various social goals to be achieved and the economic and social structures that have to be removed or transformed in a given time horizon. The question of measuring the progress of development has to be viewed largely in terms of these variables.

The United Nations Research Institute for Social Development (UNRISD) in Geneva has identified several economic and social indicators of development. Planning will become social when these and other social variables (i.e. variables expressing conditions in which people live) will be set as the final objectives of development plans. They are as given below:

1. Expectation of life at birth.
2. Crude birth rate.
3. Population in localities of 20,000 and over as percentage of total population.
4. Proportional mortality rate.
5. Consumption of animal protein, per capita per day.
6. Consumption of calories derived from cereals and starchy roots as percentage of total calorie consumption.
7. Combined primary and secondary school enrolment as percentage of age-group 5-19.
8. Vocational enrolment as percentage of age-group 15-19.
9. Average number of persons per room.
10. Dwellings with electricity as percentage of all dwellings.
11. Newspaper ('daily general interest') circulation per 1,000 population.
12. Telephones per 100,000 population.
13. Radio receivers per 1,000 population.
14. Percentage of economically active population employed in electricity, gas, water, sanitary services, transport, storage and communications.
15. Agricultural production per male agricultural worker.
16. Adult male labour in agriculture as percentage of total male labour.
17. Electricity consumption, kwh per capita.
18. Steel consumption, kg per capita.
19. Energy consumption, kg of coal equivalent per capita.
20. GDP derived from manufacturing as percentage of total GDP.
21. Foreign trade (sum of imports and exports) per capita.
22. Salary and wage earners as percentage of total economically active

population.

23. Expenditure of food as percentage of total private consumption expenditure.
24. Total structural differential in production.[13]

A general development index based on these variables is definitely a great step forward compared to the single-dimensional measure of per capita income. But here also we find several important omissions. Of course the social variables chosen for preparing the development index should depend upon the social priorities laid down.

important omission

One important omission in the above variables is the lack of indicators to show the reductions in the economic and social inequalities. Economic inequality may be measured in terms of factor shares, by size and by region. Region differences are important, and can usefully be supplemented by data on social services, educational level, etc. But distribution by size class is probably the most meaningful classification of income. Though Lorenz curve is a useful measure of inequality, a more meaningful measure should be to express, say, the lowest decile as a fraction of the median.[14] Equally important as economic inequalities is social inequality especially in such caste-ridden societies as ours. The social barriers and inhibitions of an unequal society distort the personalities of not only those in the lower strata but also of the upper. (Trivial differences of accent, dress, customs, colour, etc., acquire an absurd importance and contempt is harboured against those who lack social graces).

It is not possible to obtain even a rough picture of the number of people below a minimum consumption line from the indices given above.[15] The estimate of the proportion of people living in abject poverty, however crude it may be, has great significance and is a usable criterion for measuring development.

The development index must also give great priority to the question of unemployment. No one will deny the importance of a job in developing the personality of a man. To be chronically unemployed, to be always dependent on another person's earnings, even for food is incompatible with self-respect, especially in regard to the educated. Of course, there are innumerable difficulties in measuring unemployment in the developing countries. Nevertheless, the labour time disposition of the labour force should be studied in terms of sex, educational qualifications, age, etc., and compared over time.

Thus, unless the weighted average of UNRISD's development index is supplemented by other measures especially those relating to inequality and unemployment, they could not be considered as important indicators of development. Further the social variables included may have to be modified depending on the social priorities laid down by the planners. Continuous research also may have to be undertaken to refine the various indices of development. Value judgements cannot be ruled out in regard to certain aspects. Such indices as rate of increase in suicide, alcoholism, the social composition (caste, income class, labour class, landlords) of the parliament etc., also will have to be considered.

What is attempted in this article is to give a broader content to the concept of development than mere economic growth as measured by GNP. Real development takes place when the dignity of man is fully assured and a society may be said to be developing when it marches towards that goal. This may sound too idealistic. But to start with while chalking out programmes and formulating policy, the question could be definitely asked: How far do they reduce inequalities, poverty and unemployment? The UNRISD's development index may be welcome only as first step in this direction. It will have to be suitably modified to make it meaningful to evaluate development.

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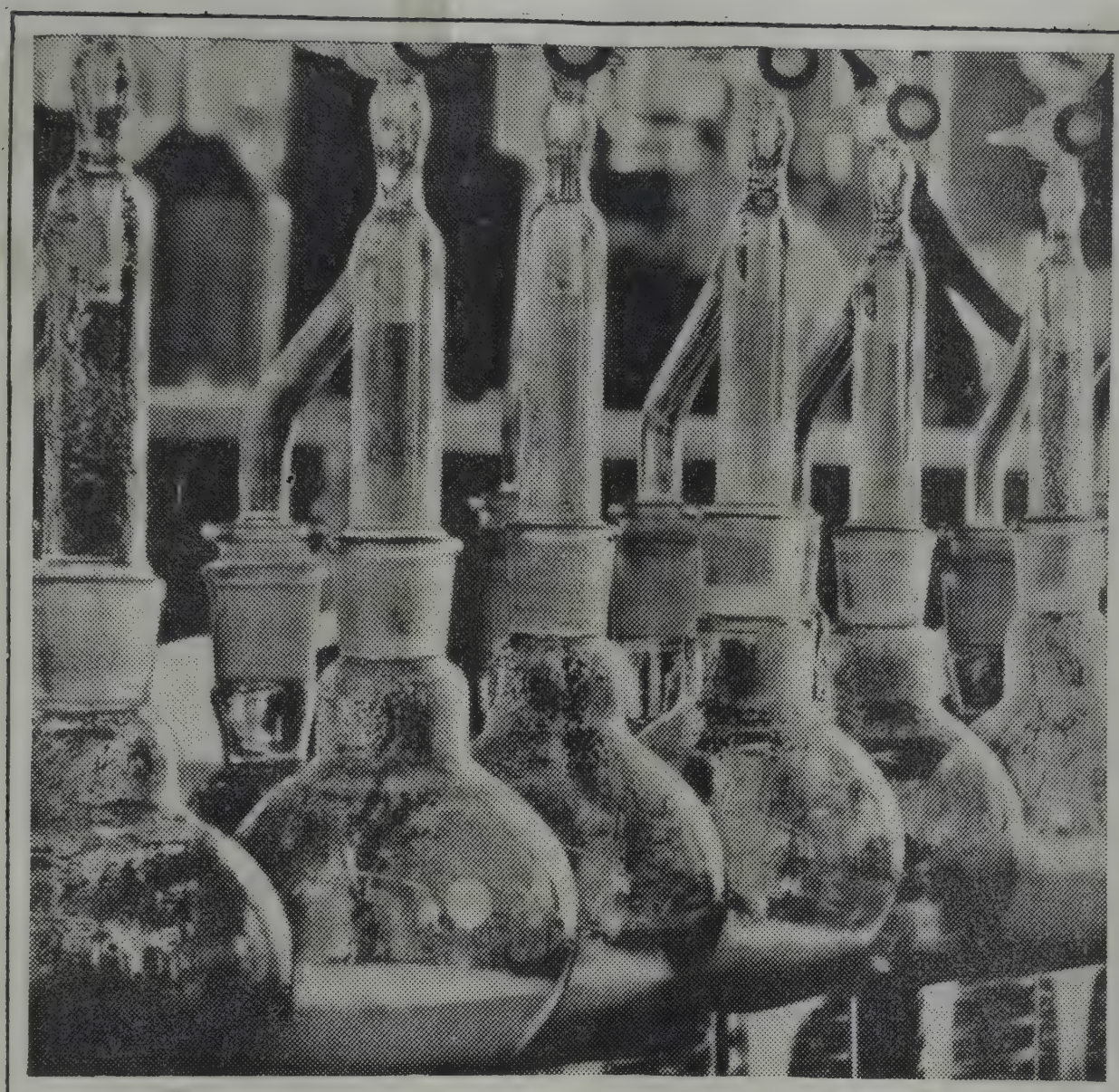
12. Many governments have only a short run view. Some may even pose obstacles to development. However we proceed on the assumption that the possibilities of changing the government through periodic elections and influencing the government by informed public opinion will help to reflect the community's values in the process of development.

13. This index is the sum of the values irrespective of sign— of the differences between the percentage distribution of GNP in each of the three sectors (agriculture, industry and 'others') and the percentage distribution of the economically active population in the same sectors.

14. This is the approach followed by H.F. Lydall, *See* his *The Structure of Earnings*, (Clarendon Press).

15. A working group appointed by the Planning Commission in 1962 has tried to establish Rs 20 per head per month at 1960-61 prices as a basic minimum below which be crushing poverty. While this is arbitrary, some such measures are necessary for measuring development.





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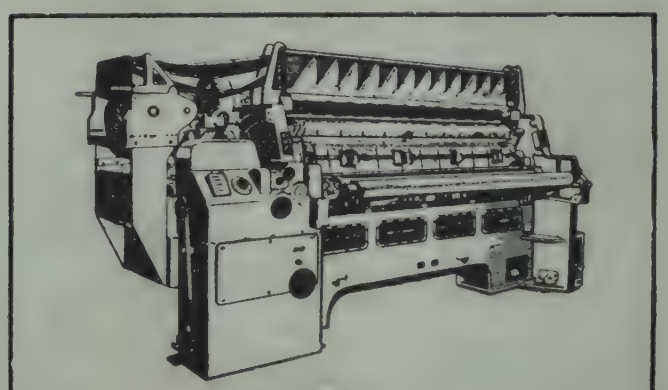
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Doing without aid

Chakradhar Sinha

THE AID climate today is vitiated by a sense of frustration and uncertainty.[1] There is a sense of weariness and a search for new directions.[2] In India, foreign aid has recently become a matter of controversy, and there is now serious discussion in the country about 'self-reliance' or 'development without external assistance.' Recent developments culiminating in suspension of economic aid from some donor countries, made it imperative that we should pursue self-reliance as a goal of economic policy. The purpose of this artictle is to analyse the problem and discuss its solution.

a relative concept

Self-reliance is a relative concept. It does not mean insulating the economy completely. A self-reliant economy is not a self-sufficient economy in the strict sense of the term. A self-reliant economy, in other words, is fully compatible with a large and growing volume of imports, provided the imports are paid for by exports.[3] Similarly, self-reliance does not mean doing away with all inflows of external assistance. External assistance is of various types : (*a*) loans; (*b*) grants; (*c*) PL 480 imports; (*d*) suppliers' credit; (*e*) assistance from private agencies; (*f*) technical assistance in the form of experts and trainees, and so on. Loans may be secured either bilaterally from foreign governments or they may flow from international agencies such as, the World Bank, the Asian Development Bank, etc. Self-reliance in the present context would exclude government aid but not credit obtained through commercial channels.[4] An economy would thus be regarded as self-reliant when it can sustain a desired rate of increase in per capita income without recourse to such aid.[5] In the wider sense, however, the essential condition for self-reliance is that the planned investment plus exports must equal domestic savings plus imports, and that there must be a guarantee for a minimum standard of living for the masses.

There was no specific mention of the objective of self-reliance in the first and second five-year Plans. It was in the third Plan that, for the first time there was an explicit reference to this objective. The third Plan was viewed as "the first stage of a decade or more of intensive development leading to a self-reliant and self-generating economy."[6] The strategy of self-reliance accepted external assistance during the critical period of transition. In subsequent Plans, external assistance was to be progressively reduced so that it could be completely eliminated. Self-reliance was thus defined as elimination of the need for special external assistance, and a period of 10 to 12 years was set for its attainment. The third Plan visualised self-reliance by about 1971-73.

However, due to unfavourable developments in the mid-sixties, even the launching of the fourth Plan was delayed by three years, and the country was not in a position to dispense with foreign aid by 1971-73. Accordingly, the fourth Plan, set 1980-81 as the new target date for self-reliance. While the third Plan gave an indicative schedule of 10 to 12 years from 1961 for the termination of aid, the fourth Plan (1969-74) adopted a more concrete policy objective which was defined as "reducing foreign aid net of debt servicing (inclusive of interest payment) to half of the current level by the end of the Fourth Plan and to eliminate it altogether as speedily as possible thereafter."[7] The fifth Plan approach document states that, with continued restriction of imports and promotion of exports, it will be possible to do even better than the fourth Plan objective of reducing net aid in 1973-74 to half the level in 1965-66.[8] In a resource-scarce economy such as of India, self-reliance would imply an all-out effort to encourage savings, accelerate investment, dynamise the pattern of trade and finally harmonise this objective (of self-reliance) with other socio-economic goals.

two views

There are two schools of thought on the vital question whether external assistance is inevitable for our economic development. One school maintains that less aid would mean lower rate of growth. The country would require more resources and greater continuity of aid flows to reverse the cycle. Countries in the Third World are confronted with two major gaps—the savings gap and the foreign exchange gap. Robert E. Aher has advanced three basic approaches to the calculation of foreign aid requirement for the less developed countries:[9]

(*a*) the savings-investment gap approach;

(*b*) the foreign exchange earnings-expenditure gap approach; and

(*c*) the capital absorption approach.

The savings gap originates out of the internal disequilibrium of the country whereas the foreign exchange gap is the result of the external disequilibrium of the economy. The existance of these gaps necessitates the continuance of external assistance. External assistance performs two important functions. Firstly, it supplements domestic savings and makes possible to step up the rate of investment directly and via 'linkage effects' and 'spread effects'. secondly, it provides foreign exchange to fill in the deficits in the external balance of payments.

The other school believes that foreign aid is anti-growth and anti-saving. This school stresses the fact that the easy availability of foreign aid postponed some of the vital structural changes which would have largely promoted the rate of

TABLE I

Rate of Investment and Saving

(Percentage of NDP at current prices)

Year	Investment	Domestic saving	Foreign saving
1960-61	12.0	8.9	3.1
1961-62	10.8	8.6	2.2
1962-63	12.0	9.6	2.4
1963-64	12.7	10.7	2.0
1964-65	12.0	9.8	2.2
1965-66	13.4	11.1	2.3
1966-67	12.2	9.0	3.2
1967-68	10.6	7.9	2.7
1968-69	9.5	8.4	1.1
1969-70	9.2	8.4	0.8
1970-71	9.6	8.3	1.3

Source : Planning Commission : the Fourth Plan Mid-Term Appraisal, pp. 36-37.

economic growth of the country. Following Adelman and Chenery, who built a model to indicate the past effects of foreign aid,[10] the advocates of this school have emphasised the negative impact of external assistance in this country. For instance, food aid accounting for about one-third of total aid so far, held back agricultural progress for quite some time. Land reforms were neglected. The actual producer had neither the means nor the incentive to increase agricultural production. As regards savings gap, it is pointed out that foreign aid enabled the government to ignore the question of mobilising domestic savings for capital formation, and this, among other things, led to a lowering of the saving rate. The rate of domestic savings which stood at 8.9 per cent in 1960-61, touched a peak level of 11.1 per cent in 1965-66, but declined to 8.3 per cent in 1970-71. This is evident from Table I (p. 903).

V. V. Bhatt estimates that the fall in savings in real terms was still greater.[11] It has been shown that, had the expectation of marginal savings rate of 20 per cent been realised from 1950-51 onwards, the 1969-70 rate would have been 13.7 as against the actual rate of 8.4 per cent.[12]

exchange gap

The foreign exchange gap is also attributed to a failure in public policy in realising the goals of export promotion and import substitution. Analysing India's export performance for the 1950's, Bhagwati and Desai have come to the conclusion that with relatively minor policy changes, India's potential exports could have been Rs 820 crores higher than the actual recorded for the decade.[13] According to this study, this figure comes to one-half of the gross aid utilised for the whole decade. The record of our export promotion efforts has throughout been dismal. In the case of imports, the existence of a large foreign sector has led to a good deal of unnecessary imports, often at an artificially high price.

Between these two extremes, unbiased empirical studies reveal the fact that there is a low correlation between foreign aid and economic growth. A study of 26 selected countries shows that the correlation between import growth and GNP growth has not been significant. Some countries have had a rapid growth of output with a slow growth of imports, and some had a slow growth of output and a rapid growth of imports.[14] Thus Taiwan achieved a rate of growth of nine per cent per year between 1957 and 1967, with foreign resources financing 25 per cent of imports, while Pakistan achieved a rate of growth of 5.2 per cent during the same period with foreign financing of 42 per cent of imports.[15]

magnitude of aid

In India, the overall magnitude of foreign aid received is very large. There is, however, a sharp contrast between the 'face' value and the 'real' value of foreign aid to India. The total gross inflow of loans and assistance in this country upto the end of March 1971 amounted to Rs 11,874 crores. During the first Plan period, the role of foreign aid was quite modest, amounting to about Rs 62 crores per year. In subsequent years, however, the trade deficits widened considerably, and there was sharp increase in our foreign borrowings. Thus during the period between 1956-57 and 1968-69 covering the second Plan, the third Plan and the three annual Plans, our average annual foreign borrowings amounted to about Rs 808 crores. Since the beginning of the fourth Plan, however, there has been a considerable decline in the volume of our trade deficits. There has been, therefore, a continuous reduction in the utilisation of external assistance during the past three or four years. Even excluding concessional food imports, the utilisation of net assistance has declined over these years by almost Rs 300 crores, or more than one-half.[16] Table II gives the details of the inflow of foreign assistance during the last four years.

It follows that the actual contribution of foreign assistance to the financing of economic development in this country has been marginal in recent years. Until 1964-65, net external accommodation was of the order of three per cent of our national income, and at present it is less than one per cent.[17] During the early 1960's, net external accommodation accounted for about 25 per cent of national investment. In recent years, the contribution of net foreign assistance to domestic investment has come down to 13 per cent. It is now estimated that over the fourth Plan period, the contribution of net external assistance will account for only eight per cent of aggregate investments in the economy.[18]

The terms and conditions of aid have hardened in recent years. Since 1960, aid in general has been gradually tied to purchase of goods and services in the donor country. The result is that imports have to be made not at international prices but substantially higher prices. J. Bhagwati estimates that "the real values of new flows to recipient countries may be as little as half the nominal values."[19] This shows that the transfer of 'real' resources has been only a small fraction of the gross aid flows. There has been significant increase in debt servicing obligations. The outflow of foreign exchange on account of debt servicing now amounts to over 25 per cent of our export earnings.

The above analysis makes it clear that external assistance is on the decline, and through concerted efforts, the country can do without aid in a relatively shorter

TABLE II

Inflow of Foreign Assistance: Gross and Net

(Rs crores)

Items	1967-68	1968-69	1969-70	1970-71	1971-72 Estimates
I. Gross disbursements of which:	1196	903	856	791	778
(a) PL 480 food	285	131	128	57	52
(b) PL 480 non-food	57	27	42	32	43
(c) Other food assistance	45	55	19	36	31
II. Total debt servicing of Which:	333	375	412	450	450
(a) Amortisation payments	211	236	268	290	284
(b) Interest payments	122	139	144	160	166
III. Net flow of assistance (I—II)	863	528	444	341	328

Source: Government of India, Economic Survey, **1971-72, p. 59**

span of time. There have been several developments in the recent past that justify taking a more optimistic view of the future in achieving economic self-reliance. During recent years, there has been a rise in exports. In 1970-71, for example, for the first time in post-independence period, exports accounted for 93.8 per cent of imports, as is evident from Table III.

TABLE III

India's Foreign Trade at Post-devaluation Rates

(Rs crores)

Year	Imports	Exports	Exports as per cent of imports
1951-52	1,379	1,106	80.2
1955-56	1,024	922	90.0
1960-61	1,768	997	56.4
1965-66	2,194	1,264	57.6
1970-71	1,624	1,524	93.8

Source : RBI, Report on Currency and Finance, various issues.

During the last 20 years, food imports amounted to about Rs 4,680 crores—roughly equal to the public sector outlay during the second Plan. The import of foodgrains in selected years is shown in Table IV :

TABLE IV

Foodgrains : Production and Imports

(Million tonnes)

Year	Production	Imports
1962-63	54.9	2.1
1963-64	66.9	0.7
1964-65	82.0	5.1
1965-66	72.3	7.5
1966-67	74.2	10.4
1967-68	95.1	8.7
1968-69	94.0	5.7
1969-70	99.5	3.9
1970-71	107.8	3.6

Source : RBI, Report on Currency and Finance, 1970-71 p. 69.

Import of foodgrains of this magnitude constituted a severe drain on our foreign exchange reserves and the balance of payments position. The country has stopped concesional food imports from the end of the year 1971. The production of steel is expected to increase substantially within the next two years. In fertilisers, increasing import substitution has brought down the levels of imports. Similarly, in machinery and transport equipment, a certain order of import substitution has led to substantial fall in imports. Through self-discipline and hard work, it will be possible to sustain an adequately high rate of growth of the economy and at the same time reduce progressively our dependence on external assistance. The example of China proves that economic growth can be achieved without foreign aid provided the nation is prepared for sacrifice and exerts financial discipline.

The goal of self-reliance has time-dimension, and achieving the cherished objective within a short period will require increased efforts to generate larger volume of savings internally and improve the payments position externally. To be more precise, planning for a transition to self-reliant growth would require vigorous policy measures to :

(*a*) raise the level of savings through pushing the marginal saving rate;

(*b*) intensify the import substitution drive through greater use of indigenous products, technology and skills;

(*c*) step up the rate of export growth over and above the currently attainable rate;

(*d*) reduce gestation lags and ensure fuller utilisation of capacity in raising the levels of industrial productivity; and

(*e*) pursue a well-designed income and price policy so as to check concentration of economic power and ensure reasonably efficient use of available resources.

Our ability to do without external assistance after 1980-81, would depend, to a large measure, on greater domestic resource mobilisation to support an expanding investment programme. Unfortunately, however, the savings trends are not at all encouraging. It was postulated in the fourth Plan document (1969-74) that the rate of investment as a proportion of national income would rise from 11.3 per cent in 1968-69 to 14.5 per cent in 1973-74. Similarly, the rate of domestic saving, over the same period, was to have risen from 8.8 per cent to 13.2 per cent. During the first three years of the fourth Plan, there has been decline in the rates of saving and investment. The fourth Plan mid-term appraisal has made a projection of the level of saving and investment during the entire fourth Plan period, as is evident from Table V.

In pursuance of the objective of economic self-reliance by 1980-81, the Mid-Term Appraisal has projected that the rate of net investment could be stepped up from 11.1 per cent of net domestic product in 1973-74 to 15.9 per cent in 1980-81. Similarly, it is postulated that the rate of net domestic saving can be raised from 10.2 per cent of net domestic product to 16.0 per cent during the same period. It is thus hoped that by 1980-81, the rise in the rate of investment would be feasible on the basis of mobilisation of domestic resources. The marginal rate of savings is expected to rise from 17 per cent of

TABLE V

Total Availability of Investible Resources During the Fourth Plan (1969-70 to 1973-74)

(% of NDP at current prices)

Year	Investment	Domestic savings			Foreign savings
		Public	Private	Total	
1968-69	9.5	1.4	7.0	8.4	1.1
1969-70	9.2	0.9	7.5	8.4	0.8
1970-71	9.6	1.1	7.2	8.3	1.3
1971-72	9.6	0.8	7.4	8.2	1.4
1972-73	10.5	2.2	7.3	9.5	1.0
1973-74	11.1	2.9	7.3	10.2	0.9
Average for the IVth Plan	10.0	1.6	7.3	8.9	1.1

Source: Planning Commission: The Fourth Plan Mid-Term Appraisal, Dec. 1971, p.40

national income to around 28 per cent during the period.

The above projections of the Planning Commission are based on three assumptions :

(*i*) The marginal rate of savings in the public sector in the remaining years of the fourth Plan would be nearly 75 per cent.

(*ii*) No extra expenditures would be incurred by the government in the form of future increase in pay or dearness allowance of government employees.

(*iii*) The marginal rate of saving would be sustained at least at the current level.

inelastic savings

These assumptions however, have lost their validity. Savings of the public sector have proved to be inelastic in spite of the vast increase in tax revenues. Further, there has been considerable diversion of resources to non-development purposes. So far as the household and corporate savings are concerned, these are adversely affected by rising prices and escalating rate of taxation. These factors lead to a leakage in savings for consumption purposes. The Mid-Term Appraisal is conscious of this fact, and it admits that "the country has yet to go a long way before it attains adequate rates of investment and saving."[20] It is necessary to plug these leakages. The government must exercise greater budgetary discipline. A rigorous system of performance budgeting is necessary to identify and prune non-development expenditures. The recommendations of the Banking Commission have to be expeditiously implemented so as to institutionalise savings and investment, and thus make the banking industry a powerful engine of growth. In the farm sector, there are larger resources which have not been effectively tapped. The agricultural sector is undertaxed in an absolute sense, in a relative sense and in the context of the need for additional resources for economic development. The success of the Green Revolution has led to considerable increase in agricultural incomes. Hence, effective steps are needed to :

(*a*) secure larger investible and marketable surpluses from agriculture;

(*b*) introduce an element of progression in agricultural taxation so as to make it more equitable; and

(*c*) provide an incentive to raise agricultural output.

While the new agricultural strategy has led to considerable increase in foodgrains production. the success in foodgrains has not been matched by production of cash crops, as is evident from Table VI.

TABLE VI

Agricultural Production in India

Unit	1950-51	1960-61	1970-71
Foodgrains (million tonnes)	54.9	82.0	107.0
Oilseeds (million tonnes)	5.1	6.9	9.1
Sugarcane (gur) (million tonnes)	5.7	11.1	13.2
Cotton ('000 bales of 180 kg)	2875	5293	4556
Jute ('000 bales of 180 kg)	3309	4134	4905

Source : RBI, Report on Currency and Finance, 1970-71, pp. 69-90.

Shortages in cotton, oilseeds and sugarcane have adversely affected our balance of payments position, It is necessary to step up the use of farm inputs like fertilisers, irrigation, pesticides, etc, so that there is desired increase in the production of cash crops. As in the case of rice and wheat, there has to be intensive research in these fields for evolving high yielding varieties.

Industrial development would be the main vehicle for economic self-reliance. This is so because a major part of external aid, over one-half, went into industries. Unfortunately, the tempo of industrial activity has shown signs of deceleration in recent years. The fourth Plan postulated annual growth rates of 8 to 10 per cent in the industrial sector. As against this target, the actual rates of growth in the organised industry-sector in 1969-70, 1970-71 and 1971-72, were 6.8 per cent, 3.7 per cent and 4.2 respectively.[21] It is necessary that the industrial strategy be more carefully planned and implemented. This will necessitate co-ordinated effort on the part of small, medium and large industries, both in the public and the private sectors.

Import substitution means replacement of implicit imports by domestic production. Import substitution may be distinguished from import saving. Import saving relates to greater economy in the use of imported materials, design and technology. Import substitution, on the other hand, relates to specific capacity creation for replacing imports.[22] In the post-war period, a number of developing countries have adopted a growth strategy based on import substitution in industry. The Latin American countries —Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela and Ecuador— have most vigorously pushed import substituting industrialisation as their main growth strategy.[23] In Brazil, for example, there was a strong association between sectoral rates of import substitution (IS) and growth.[24]

Indian model

In India, Bergsman and Manne have shown quantitatively that there is an impressive case for an accelerated programme of import substitution.[25] The Bergsman-Manne model shows that an ambitious import substitution programme would increase the immediate requirement of imports but shorten the time for achieving self-reliance. In the fourth Plan document, the total level of imports was postulated to rise from Rs 1,904 crores in 1968-69 to Rs 2,220 crores by 1973-74. However, as envisaged in the Mid-Term Appraisal, imports of the country would increase from Rs 1,669 crores in 1970-71 to Rs 2,383 crores in 1973-74, thus signifying an increase of 43 per cent in the three years.

Import substitution would have to be sufficiently enlarged especially in such industrial items which now account for a large slice of foreign exchange expenditure. Intensive use of subsidies, tax advantages, high tariffs and direct government investment, may be employed in these fields to expedite import substitution. There is under-utilised capacity in many industries, as in the case of industrial machinery and steel. Fuller utilisation of capacity is an important factor in raising the levels of industrial productivity, export promotion and import substitution.

The CSIR in its study in respect of 132 items, has shown that in 128 items the capacity to produce already existed or could easily be developed. In a separate study, it has revealed that in respect of 637 items, substitutes were available or could be evolved. What is vitally needed is to locate and remove the bottlenecks expeditiously. We must aim at stimulating the growth of industries requiring

indigenous material and the surplus labour force. Conditions have to be created to ensure that, within a short period, technological developments are based on indigenous talents and skills. National expenditure on research and development should be stepped up to fill in the widening technological gaps and attain self-reliance in technical know-how. Import substitution, in brief, is a multi-pronged approach involving organisational changes, promotional effort and fiscal incentives

widening trade gap

Economic development of a country depends to a large measure on export performance. We have failed to take advantage of the world export boom. Our share in world exports has declined from 2.1 per cent in 1951 to 0.6 per cent in 1970. The decline in export earnings on the one hand, and the rise in import spendings on the other, led to a widening trade gap. There are various factors which retarded the export promotion drive, such as, high cost of production, poor quality of products, lack of exportable surplus, increasing competition in foreign markets, etc. In the coming years, imports are likely to continue at a fairly high rate. Further, the burden of debt servicing which includes interest payments and amortisation, is estimated to increase from Rs 450 crores in 1971-72 to Rs 480 crores in 1973-74.

Thus a significant break-through in exports is vitally essential to pay for the imports and meet the external payment obligations. The rate of growth of exports in the fourth Plan was estimated at seven per cent per year. The reassessment of export prospects as made in the Mid-Term Appraisal of the fourth Plan indicates that the growth rate in exports would work out at 8.1 per cent in 1971-72, six per cent in 1972-73 and 8.4 per cent in 1973-74. However, in the context of the drive towards self-reliance, it will be necessary to raise this target to around 10 per cent. This will require a sound strategy to generate an exportable surplus of the order of Rs 500 crores by 1980-81. Table VII gives a tentative projection of India's foreign trade during the present decade. If the projections hold

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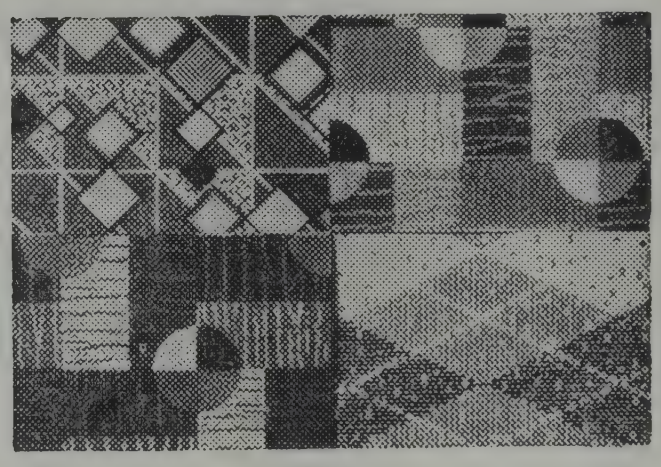
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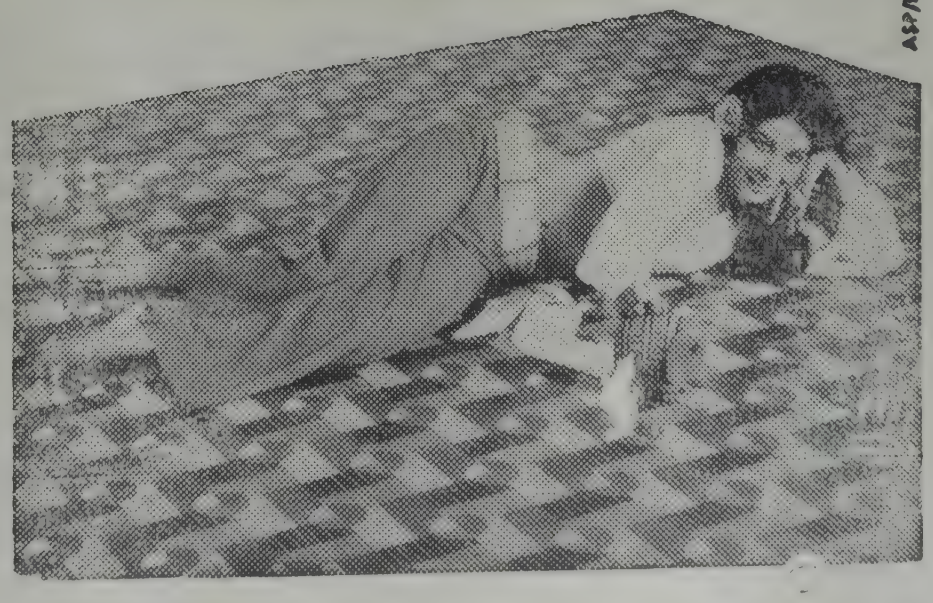
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valid, exports would increase at the annual rate of 10.3 per cent per annum. This will require a sound export strategy, the principal constituents of which should be diversification of the pattern of our exports, ready supply of raw materials, cheaper credit accommodation, improvement in quality and price competitiveness of our goods in world markets.

The task of holding the price-line assumes paramount significance especially since inflation tends to weaken the competitive capacity of our exports in international markets. The growth of our major traditional export items such as tea, jute and cotton textiles, is likely to be slow. Hence, we have to concentrate more on such non-traditional items as metals and machinery equipment and engineering goods, iron ore, chemicals and allied products.

Another major aspect of export promotion would be to earmark certain plants to be specifically devoted to exports. These plants could be treated for the purpose of taxation and other matters on a different footing from other plants in the same industry.[26] Market surveys around the world should be conducted to find out what items are needed in different countries No doubt, Britain's entry into the European Common Market has thrown up new problems. There are other trade barriers against exports from developing countries including India. Vital changes are, therefore, needed in the composition and direction of our foreign trade. We must restructure our foreign trade in favour of the socialist and the developing countries which provide ample opportunities for expansion of our exports — traditional as well as non-traditional. We can secure requisite imports from these countries without facing the acute problem of foreign exchange crisis. Export promotion and import substitution programmes should be integrated and pursued with vigour to reach the cherished goal.

Development without external assistance implies increased national effort. This means that the internal savings and exports should increase substantially to finance not only planned investments but also the payment liabilities on the external debt. The objective of self-reliance presupposes financial discipline and sacrifices on the part of the community; it requires fundamental changes in our attitudes towards consumption, saving and investment. It is equally necessary to pursue a just income and price policy so as to check conspicuous consumption of the rich and at the same time ensure a basic minimum level of living for the vulnerable sections. Given determined effor by the government for self-reliance in respect of saving, investment, foreign exchange and technology, it would be possible to realise a rate of growth of output of six to seven per cent per annum by 1980-81 — the target date for self-reliance.

TABLE VII

Projection of India's Foreign Trade—(1970-71 to 1980-81)

Items	1970-71	1980-81	Total increase	Average annual rate of increase
	(Rs crores)		(Per cent)	
Imports	1,669	3,605	116	8.0
Exports	1,535	4,105	167	10.3
Balance of trade	—134	—500		

Source: *The Economic Times*, Bombay, July 20, 1972.

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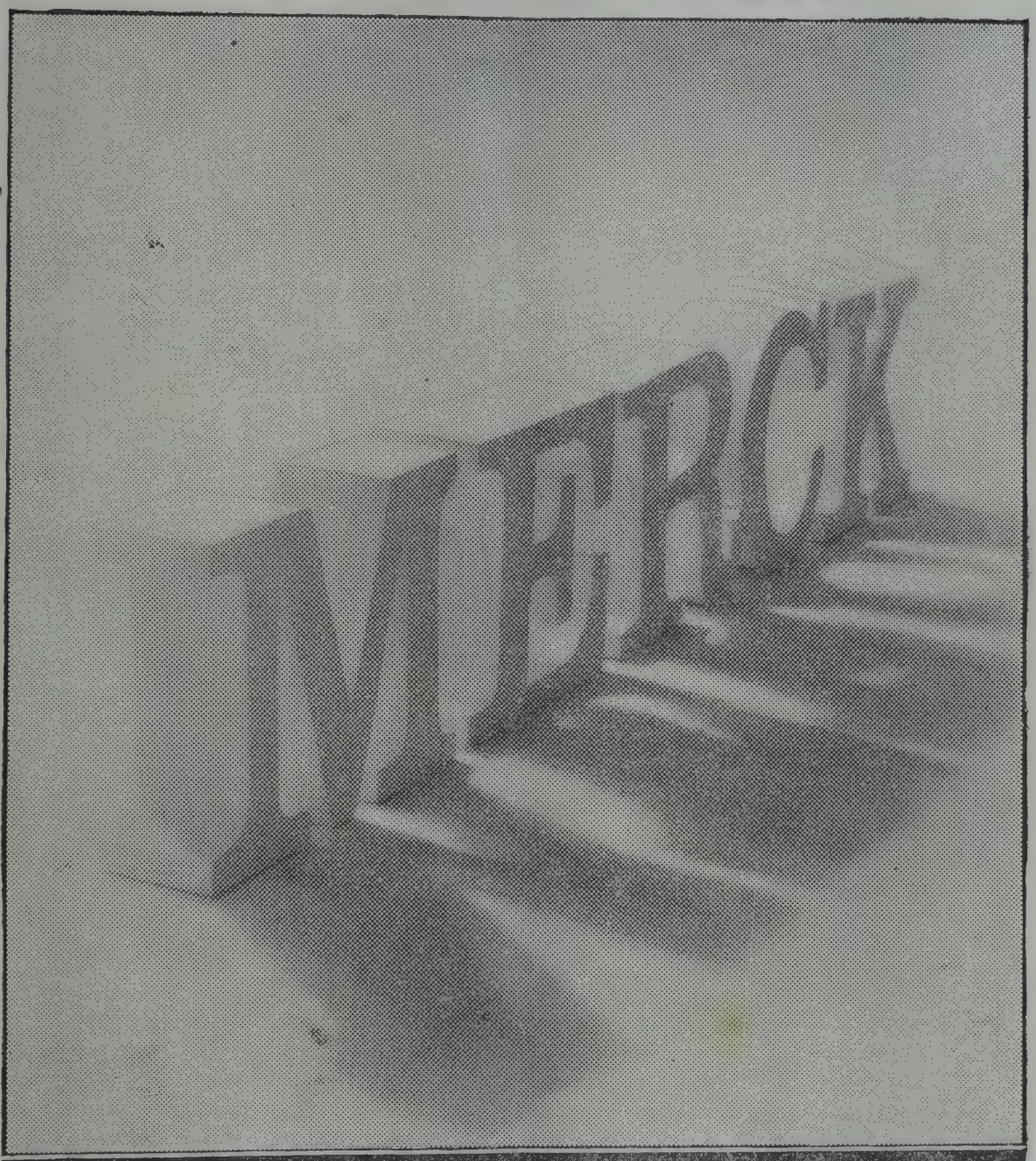
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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE LOK Sabha this week completed the second stage of its deliberations on this year's central budget when it disposed of the ministry-wise demands for grants. The budgetary demands of all the ministries and government departments, of course, could not be discussed and those of the ministries of Finance, Law, Communications, Health, Information and Broadcasting, Planning, Petroleum and Chemicals, Steel and Mines, Works and Housing, and of the departments of electronics, atomic energy, space and supplies had to be guillotined. The last demands which were discussed in the House this week were those of the ministries of External Affairs, Defence and Labour and Rehabilitation.

package deal

As could be anticipated, Indo-Pakistan relations dominated the discussion on the budgetary demands of the ministry of External Affairs. The recent joint declaration by India and Bangladesh, containing a "package" offer to Pakistan on the release of the Pakistani prisoners of war, the repatriation of Bengalis from Pakistan to Bangladesh and of non-Bengalis, who consider themselves to be citizens of Pakistan, from Bangladesh to Pakistan, received wide support from almost all the sections of the House. The only party which had serious reservations in regard to this offer was the Jana Sangh. Its spokesman, Mr A. B. Vajpayee, asked the government not to agree to bilateral talks with Pakistan—which, he thought, was the implication of that country inviting a team of officials from here for getting certain clarifications on the "package" offer—but to insist on Bangladesh representatives being present at all discussions. The independent member, Mr Frank Anthony, expressed the view that we would have had a bigger lever if we had held on to Pakistan's territory after the 1971 conflict, rather than prisoners of wars.

While most members appreciated the support being given by the Soviet Union to our causes, some opined that the country's interests should not be surrendered to any foreign power. Mr Frank Anthony criticised the role of "Communist comrades" in the government, who, he felt, were edging it to a position in which our planning and defence would be dovetailed to the Comecon nations. Mr Piloo Mody (Swatantra) was highly critical of the "parrot-like" commending of the Indo-Soviet treaty. The Congress-O spokesman, Mr S. N. Mishra, felt that we had been left behind in the world because we were neither an economic power nor a nuclear power. He wanted the government to take the initiative for convening a south-east Asia security conference. He pleaded that the country be freed from the influence and dependence of the Soviet Union.

The recent despatch of our army to the aid of the Chogyal of Sikkim came in for sharp criticism from the CPI-M member, Mr Saroj Mukherjee. Pleas were heard during the debate for improving relations with the United States and China. The Jana Sangh members called for the recognition of Israel. The need for keeping the Indian Ocean free of intereference by big powers was stressed by several members.

humanitarian issue

Replying to this debate, the minister for External Affairs, Mr Swaran Singh, expressed regrets and disappointment over the reaction of the Pakistan government to the joint Indo-Bangladesh declaration and made it clear that in dealing with the problems of Pakistani POWs, consultations with Bangladesh were necessary. Mr Swaran Singh, of course, did not take a completely negative attitude in the matter. He hoped that Pakistan would even now review the position and agree to the basic principle of settling the humanitarian issue, emanating from the 1971 conflict, without bringing in any political consideration. The minister stressed that the joint declaration was a clear proof of the intention of the governments of India and Bangladesh not to use POWs to extract any political concession from Pakistan.

Referring to the allegation of Pakistan that non-Bengali Muslims were being driven out of Bangladesh, Mr Swaran Singh pointed out that out of 600,000 non-Bengalis there, only about 250,000 had declared their allegiance to Pakistan. All others had opted to stay in Bangladesh. Arrangements had been made by the Bangladesh government to ascertain the views of non-Bengalis. As against this, Pakistan's record of treating nearly 400,000 Bengalis there was regrettable. About 16,000 Bengalis in the civil service of Pakistan, he disclosed, had been summarily dismissed and another nearly 25,000 in the defence forces had been detained in concentration camps. Those who had sold their property and were leaving Pakistan were being caught and put in jail.

cordial relations

Mr Swaran Singh dwelt at some length on the efforts being made to maintain cordial relations with the neighbouring countries and also for improving the relations with the USA and China. He spoke in laudatory terms about the support being provided to our country by the Soviet Union and reiterated that the Indo-Soviet treaty was not aimed against any country.

Earlier, intervening in the debate, the minister of state for External Affairs, Mr Surendra Pal Singh, stressed the economic content of the foreign policy and referred to the increasing commercial contacts being established with the Afro-Asian nations. He expected that at the forthcoming deliberations at Algiers of the non-aligned nations, some concrete steps would be formulated to foster economic collaboration among the developing countries.

Mr Surendra Pal Singh also referred to Indians in Africa and expressed the hope that those non-Africans in African countries who wanted to leave Africa, would be allowed to do so in a phased manner. The government, he added, was continuing its efforts to get adequate compensation for the properties left by Indians in Uganda.

The minister of state for External Affairs reiterated the keeness of the government to keep the Indian Ocean free from big power rivalries. He hoped that eventually world opinion would be built up

to keep the major powers away from the Indian Ocean.

Deep concern over Pakistan's efforts to rearm itself with assistance from the United States and several other countries was the main feature of the discussion on the demands for grants of the ministry of Defence, Strong pleas were made to strengthen the defences of the country and also for becoming self-reliant in defence production as early as possible. The communist members, of course, soft-pedalled while making references to the designs of China against our country. A significant point made by several members was that purchases of defence equipment from abroad should be made only from those friendly countries from where spares and necessary technical know-how would also be available. Some of the recent utterances of Field-Marshal Sam Manekshaw came in sharp criticism by some members. The cause of ex-servicemen for re-employment was championed by many. Some members stressed the need for our armed forces going nuclear.

defence preparedness

In his reply to this debate, the Defence minister, Mr Jagjiwan Ram, expressed confidence that our defence forces could meet any aggression on our borders. Presumably pointing to Pakistan, he warned that if any country dared to interfere with our borders, our armed forces would not only keep the borders intact, but also push the aggressor well beyond the borders. Defence preparedness, he added, was being fully maintained without an increase in outlay and also without asking for any more sanctions of manpower. Continued efforts, he added, were being made to upgrade defence equipment. The losses of the 1971 conflict, he revealed, had already been replenished.

The Defence minister regretted that the USA had thought of releasing the armaments previously withheld from Pakistan. He also expressed concern over Pakistan's imports of large quantities of aircraft, tanks and guns and other military hardwares and its efforts to develop military links with other countries which had equipment of the type which it had. He, however, assured the House that our defence forces were alive to the renewed threat from Pakistan.

Mr Jagjiwan Ram and his junior colleague, Mr V. C. Shukla, gave some details of the efforts being made to become self-reliant in the production of defence equipment. The manufacture of an improved version of MIG 21,they disclosed, was at an advanced stage. It, however, would take some time before a deep penetration plane could be designed and manufactured within the country. To achieve the goal of self-reliance in defence production, the government, they added, had decided, as a matter of policy, not to go in for any more foreign collaboration agreements or production licences from abroad. Barring exceptional cases, even the existing collaboration agreements and licence production arrangements would not be extended. The recently developed HF-24 supersonic plane, Mr Shukla felt, had an "exciting future". Endeavours were being made to remove certain drawbacks which were still there in this aircraft. The Hindustan Aeronautics Ltd, which had designed HF-24, Mr Shukla disclosed, had also developed a successor to Avro, an aircraft for agricultural use and a helicopter. The plant for the manufacture of 105 mm Indian field-gun was being put up. A new design of armoured personnel carrier had been developed. A prototype of this carrier had also been made.

The highlights of the debate on the budgetary demands of the ministry of Labour and Rehabilitation were : (*i*) workers should be provided a fair deal; (*ii*) the third Pay Commission's report for the central government employees left much to be desired; (*iii*) provident fund contributions should be statutorily raised to 10 per cent; (*iv*) the Bonus Act should be extended to workers in railways, posts and telegraphs and defence establishments; (*v*) workers should be provided representation on the boards of directors of industrial undertakings; and (*vi*) the Employees' State Insurance scheme should be streamlined.

basic philosophy

Winding up this debate, the minister for Labour and Rehabilitation observed that his ministry was motivated by the basic socialistic philosophy "that the labour force is not just one of the many factors of production, but it is the primary source of all material and non-material values of human society. As such, the ultimate goal is to make labour the master of the productive system".

"The field in which this philosophy has to be, and can be, tried out with immediate effect", he added, "is the public sector which is already the major employer in the organised sector of the economy."

Mr Reddy further stated that he was convinced that along the whole range of issues covering industrial relations and management, wage policy and productivity, the public sector would lead the way. "The public sector had to act as an instrument of socialist transformation."

The way to do this, he said, was to evolve an amalgam of material and non-material incentives which would bring about socialist consciousness among workers and managers so that the consequent emergence of working class discipline would be capable of motivating the entire productive system in the public sector. The whole range of wage policies, industrial relations and management policies, he added, must be reviewed in the light of this basic objective.

Mr Reddy, however, qualified his statement by saying that, while the objective enjoined upon the government and the administration a certain degree of radical re-orientation of attitude and behaviour, "our ability to achieve the objective is very much dependent on the responsive co-operation of all those political trends in the country which are committed to socialism".

need for consensus

Mr Reddy further added : "In particular, it is indispensable that the various segments of the trade union movement should arrive at a consensus in regard to the whole range of issues pertaining to the public sector. It will be the endeavour of the ministry of Labour to leave no stone unturned to arrive at such a consensus".

Consultations, Mr Reddy stated, had already begun with all "significant segments of the trade union movement" towards this end, and a comprehensive policy governing the whole field of industrial relations and management was expected to emerge soon.

In the sphere of wage policy, Mr Reddy said, the government was seized of the problem of weeding out the anomalies and irrationalities of the existing wage structure in the country. The ministry was concerned about evolving a national wage structure, consistent with the objectives of growth with equity.

The ministry, he further said, was well aware of the fact that such a national wage structure was far from being a reality today. But it would strive to achieve the implementation of a minimum commodity wage standard to break the vicious circle of an inflationary rise in the cost of living and an erosion of real wages.

Mr Reddy said the government would also strive to ensure, step by step, a minimum level of living to the vast segment of agricultural labour in terms of food, education, housing and health care, and freedom from social disabilities.

The Select Committee of the two Houses on the Foreign Exchange (Regulation) Bill, which submitted its report to the

Lok Sabha this week, has recommended that foreign companies (with equity holdings of 40 per cent or more) engaged solely in trading should not be given exemption from the regulatory provision in the bill on the establishment of place of business in India. Introducing a new sub-clause in the bill, the committee has suggested that while the Reserve Bank should be empowered to grant exemption to foreign companies (including their branches), taking into account the nature of activity carried on by them, no such power would be exercisable by it (Reserve Bank) where the activity being or intended to be carried on is solely of a trading nature. The committee has also provided that the government should have the power to direct non-residents (tourists) to pay in foreign exchange for such goods and services as may be notified from time to time.

regulating activity

Another new provision made in the bill by the committee relates to the regulation of Indian participation in trading, commercial and industrial activities abroad to safeguard against misuse of foreign exchange. The committee has further recommended that restrictions on holding any immovable property outside India by a person resident in India would not apply to a foreign national resident in India.

The committee has also amended clause 29 of the bill so as to make it clear that a citizen of India, even if resident outside India, should not be required to obtain permission from the Reserve Bank of India for acquisition, holding or disposing of immovable property in India.

In regard to restriction on employment of foreigners covered by clause 28 of the bill, the committee has made an amendment to the effect that a foreigner taking up gainful employment or occupation in India should require Reserve Bank's permission only in cases where liability for remittance of foreign exchange would arise as a result of such employment or occupation.

The committee has changed the expression "40 per cent or more into more than 40 per cent in clauses 25 to 27 and 29 to restriction on companies in which the non-resident interest is 40 per cent or more. It says the new expression would be consistent with the government's policy of not allowing, except in exceptional circumstances, fresh foreign equity participation in excess of 40 per cent.

A new clause has been inserted in the bill by the committee to specify some broad guidelines to enable the central government and the Reserve Bank to grant permission or licences under the bill. This has been done by it after giving thought to the problem of leakage of foreign exchange. On the clause dealing with leakage of foreign exchange through over-invoicing of imports, the committee says it is deficient as it does not cover cases where the value of goods imported is less than mentioned in the application for acquisition of foreign exchange. The sub-clause (4) of clause 8 has been amended to achieve these objectives.

notes of dissent

Mr Indrajit Gupta (CPI), Mr Jyotirmoy Basu and Mr Venkataraman (CPI-M) and Mr Itillai Villalan (DMK), in their notes of dissent, have argued that the bill would not be effective in checking leakage of foreign exchange. Mr Gupta says the bill has not sought to end the use of international brand names. Mr Jyotirmoy Basu says, besides banning brand names, the bill should have prohibited foreign companies from diversifying their business to non-priority sectors. Mr Venkatraman says foreign banks should not have been left out of the purview of the bill which should also have put a ceiling on repatriation of profits by foreigners. Mr H. S. Narsiah, Mr N. K. Shejwalkar and Mr Mukhtiar Singh Malik have also appended notes of dissent.

The following important information was provided in the Lok Sabha this week by various ministers :

(*i*) The UK government has agreed to aid our power generation programmes. Under an agreement signed recently, the UK government would make available to us £ 3.3 million (Rs 6.26 crores) for the import of components and raw materials for the manufacture of three steam generation boilers. The loan is interest-free and is repayable over a period of 25 years, with an initial grace period of seven years. Two of the boilers would be installed at the Amarkantak power station in Madhya Pradesh and one at the power station at Chandrapura in Bihar.

(*ii*) Our exports during 1972 aggregated to Rs 1,872 crores, as against Rs 1,526 crores in 1971. The balance of trade during 1972 showed a surplus of Rs 183 crores, as compared to a deficit of Rs 289 crores in 1971. The foreign exchange reserves (other than gold and SDRs) fell by Rs 14.58 crores in 1971 and by Rs 73.23 crores in 1972. This was due to large debt service payments which were not balanced by exports and under aid flow.

(*iii*) The government is considering the setting up of a holding company for its financial institutions.

(*iv*) Certain experiments on artificial rain are proposed to be conducted in Poona and Madras regions during the forthcoming monsoon season.

(*v*) The government has decided to reduce the export duty on four categories of mica with a view to providing incentive for the production and exports of this article.

(*vi*) The government proposes to amend the Coking Coal Mines (Nationalization) Act, 1972, to recover the coal miners' provident fund dues from the amounts payable to the original colliery-owners under the Act.

(*vii*) The government is contemplating legislation to bring power generation under central control on zonal basis, leaving distribution to state electricity boards.

(*viii*) The government has decided not to appoint members of Parliament to boards of directors of public enterprises.

(*ix*) The government is considering the desirability of setting up an expert committee, comprising, among others, members of Parliament, to look into the various aspects of the drugs industry.

(*x*) The procurement of rice in various states during the marketing season 1972-73 upto April 19 had been about 21.61 lakh tonnes, as against the target to 40 lakh tonnes. The main reasons for shortfall in the attainment of the target were lower output in certain states and open market prices being higher than the procurement prices.

(*xi*) Preliminary investigations have shown that date palm can be successfully grown in the dry areas of Rajasthan. The state government is preparing an experimental project for this purpose before embarking upon large-scale cultivation.

(*xii*) By the end of the fifth Plan period, 75 per cent of Indian shipping will be in the hands of the public sector.

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Hoechst thinks ahead

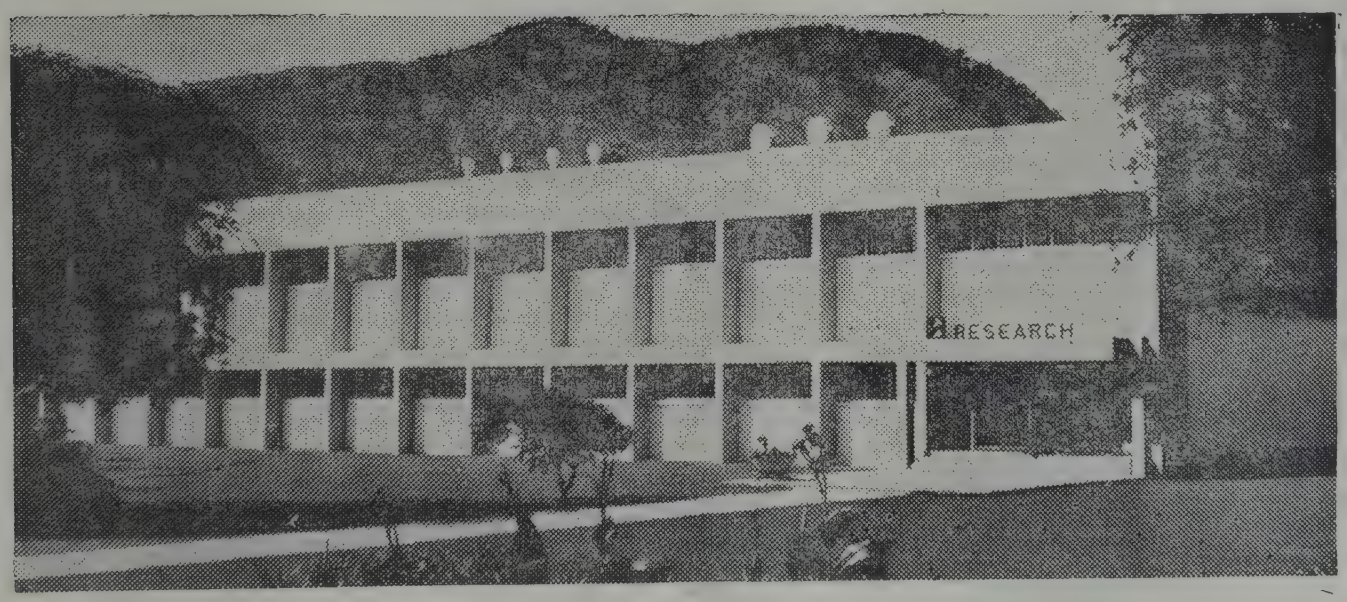
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Pledge to continue struggle for Self-Reliance

K. HARTLEY, Managing Director Indian Oxygen Limited

A momentous event

A few days ago the first Indian made oxygen plant was delivered by IOL to Bhagwati Steel Pvt Ltd., Howrah, West Bengal. The plant is now in the process of installation and is expected to be commissioned within a short while. This is indeed a momentous event in the life of Indian Oxygen Ltd. (IOL). It is also an event of importance for the country as a whole because it registers another step forward in the country's march towards self-reliance — the indigneous manufacture of air separation units and other plants for the manufacture of industrial gases and cryogenic equipment. This is a field where until recently India was entirely dependent on imports. It is a matter of satisfaction that with the development of plant manufacturing activities in India another important technological gap in our national industrial structure has been closed and it is even more gratifying to be able to record that this plant and others which will be following shortly are being manufactured entirely with IOL's own know-how and technology. Apart from oxygen plants, the range of plants and equipment in this field manufactured by IOL includes plants for the manufacture of Acetylene and Nitrous oxide, Argon Purification systems, High Pressure Compressors for various gases as well as Vacuum Insulated Vessels for storage, transport and distribution of cryogenic liquids. The plant that IOL has recently delivered is only the first in a series of plants which are now being manufactured at our Plant Manufacturing Shop in Calcutta. Another two plants will be delivered by September this year and thereafter we plan to de-



Mr. K. Hartley

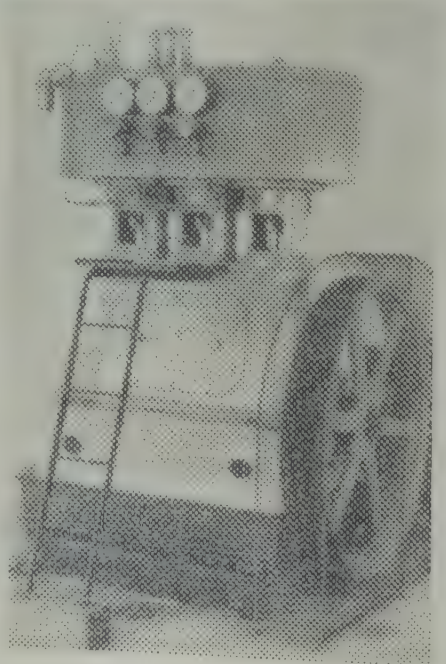
liver a plant every two months or so.

Marching in step

This is, I feel a fitting occasion for us to take a look back at the growth and development of our organisation especially in the years since the planned economic development of our country started. It has throughout been IOL's endeavour to march in step with the country's economic development, to achieve progressively import substitution and to act as a vehicle for the dissemination of advanced technology in fields with which we are connected. By doing so we felt we would, on the one hand, conserve valuable foreign exchange and on the other, make available to industry sufficient quantities of gases, welding equipment and consumables so that the nation could cope with the gigantic task of national development that was taken in hand from the moment of the launching of the First Five Year Plan. Thus, long before the slogan of self-reliance became popular in political circles, we in our own humble way had begun the march towards self-reliance.

Pioneering role

In pursuit of this ideal IOL pioneered the manufacture of welding electrodes — the first Indian factory which was established by us as early as 1947. Familiarising the country with various applications of industrial gases including the use of oxygen in steel-making, the use of nitrogen for annealing metals, the use of argon for welding aluminium and other non-ferrous metals were among other steps that we took to keep Indian industry abreast of the latest technological developments. Simultaneously we set up production facilities to make available the gases and equipment required for this. IOL also played an important role in developing distribution systems for gases through pipelines so that large users of these gases for industrial as well as medical purposes could have supplies on tap. Today IOL is in a position to undertake the installation of



Gas Compressor

pipeline systems on a turnke basis not only for gase but also for petroleu products where specialise know-now is required. We ar also proud that we have bee able to play a role in India' defence effort by supplyin specialised equipment an electrodes for the fabricatio of armoured vehicles and nava vessels and making availabl high altitude oxygen to the Ai Force.

Early next month we shall b launching another new produc for the first time in the India market — MIG Weldin Equipment. The story of th various products that we have developed to meet the require ments of the Indian marke is a long one and I do not pro pose to dwell on it further. I has been referred to here to indicate that these develop ments would not have been possible if from the beginning IOL did not have the outlook of identifying itself with the aspirations of the nation and dedicating itself to the task of rapid industrial development.

Self-reliance through Research and Development

It is obvious also that it has been possible for IOL to render this service to industry and to achieve import substitution in such a systematic manner only because in consonance with its general outlook of identifying itself with the national interest it had established its own R &D facilities which have been strengthened from time to time in keeping with its operational needs. Several products developed by IOL are based on technical know-how originating within IOL. Even today our R &D establishments and our planning cells are looking ahead into the future and trying to develop products which

will satisfy the needs of future years and will take the country nearer towards the national goal of self-reliance.

Creating export markets

It is in keeping with the same outlook that IOL has made special efforts on the export front. Although gases and many of IOL's major products are essentially unexportable, it has been able to find markets abroad for a number of its products.

As employer

As an employer, IOL has constantly striven to maintain cordial relations with its employees and their unions and to keep its wage levels and other benefits ahead of the national norm. It has planned and made conscious efforts to develop its human resources and the large majority of those holding positions of responsibility in the organisation today have risen from the ranks. Aware of the importance of productvity in ensuring the progress of the Company and the resultant well-being of its employees, emphasis on productivity has been a main theme of our negotiations with the employees over the years. IOL was among the first in India to negotiate and sign settlements with employees' unions linking wages with productivity.

Identity with national objectives

Our close identification with national objectives throughout the period is reflected in several other spheres. In times of natural calamities and national crises IOL has responded promptly and liberally to the call for special efforts. On the declaration of the national emergencies in 1962, 1965 and 1971 we made substantial contributions to the National Defence Fund and other defence-oriented funds. We have also lent support to worthwhile projects to honour the memory of several national leaders. Our participation in the activities of, and contributions to, well-known organisations and institutions — both Government and public — engaged in scientific, economic and industrial activities has been recognised to be significant in many cases. In our public relations activities, especially with the issue of several publications we have, sought to give expression to our feeling of identity with the country's needs and ideals. We have thus dealt with occasions events and information of great national import and tried to present the past and project the future in proper perspective. The recent IOL Publication — 25 Years of Indian Independence—released in August 1972 falls in this pattern.

Towards import substitution and diversification

Technology in the fields of industrial gases and welding is developing fast. For instance, many new uses of nitrogen have been found in the sphere of food preservation and oxygen is being increasingly used in the treatment of effluents. In advanced countries sophisticated techniques of welding and cutting have been developed such as laser welding, ultra-sonic welding, computer controlled cutting and so on. IOL would have welcomed the opportunity of making available to the country its knowledge and expertise in these fields. However, we have taken note of the desire of our Government that, companies such as ours should try to diversify into new lines and should harness their financial and human resources for filling important gaps that are present in the industrial structure of the country today or are likely to emerge in the near future. These gaps have been identified by Government recently in its list of 19 industries. We are also aware that there is an acute scarcity of foreign exchange today and that it is necessary to conserve foreign exchange by even more vigorous measures for import substitution and that it is necessary to make efforts to earn foreign exchange by promoting exports. We have also taken note of the national aspirations which expect that foreign controlled commpanies should progressively reduce the proportion of foreign equity in the total share capital and associate the Indian public in larger numbers in the ownership of IOL.

Our intent

I would like to take this opportunity of declaring that in keeping with our tradition of identifying ourselves with the interest of the nation we wish to expand and diversify the Company's activities within the policy guidelines laid down by the Government of India for foreign controlled companies. I am sure the Indian public will be pleased to learn that in this task we have been assured of the full support of The British Oxygen Co. Ltd. (BOC) which has promised to make its world-wide expertise available to us in our search for diversification projects in the fields recently specified by Government. BOC is an international Group operating in twenty-eight countries in fields as diverse as welding, advanced engineering, metallurgy, chemicals, food services besides medical and industrial gases. In many of these fields BOC is an acknowledged leader. Needless to say, any further expansion or diversification project that secures the approval of the Government of India would, in accordance with the formula laid down, automatically reduce the foreign equity holding of this Company.

As a Company we have faith in the future of this country. We have never allowed ourselves to be overwhelmed by adverse factors which may have temporarily obscured the horizon. It is on record that even in the midst of the recession which affected most of all the engineering industry, with which we are directly connected, we did not allow ourselves to be dismayed but went through with the plans of development that we had drawn up prior to the recession. We are glad to note that this confidence was not belied and that when the economy started picking up after the recession we were ready to serve industry with our improved facilities in various parts of the country. We have every hope that in the future too we shall have opportunities of playing a role in the exciting drama of national development. The current year which happens to mark the Silver Jubilee of Indian Independence is perhaps opportune for reiterating our pledge to dedicate ourselves to the continuing national struggle for self reliance and faster industrial growth.

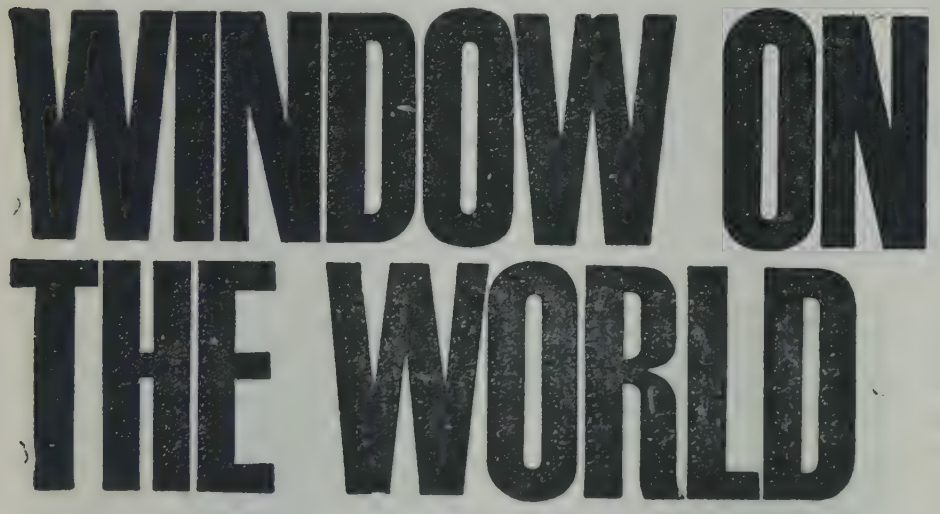


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The mysteries of the BIS

Jossleyn Hennessy
London.



I

Founding, Scope, Organisation

A FEW steps away from the main station in Basle, surrounded by shops, is an ageing building that was once an hotel. More than 40 years ago inconspicuous plates were put up giving in four languages the name of the international organisation domiciled there: the Bank for International Settlements, BIS for short. Whenever a hopeful tourist appears in the lobby seeking to change money or cash traveller's cheques, the doorman informs him politely that the BIS does no business with private customers.

Even before World War I, and more frequently in the 1920s, the most important European central banks met *ad hoc* whenever it became necessary to grant stabilisation credits. These sporadic joint undertakings led to the desire for permanent co-operation. As the German reparation bonds were drawn up at the end of the twenties, the proposal arose to found a new international organisation to act as a trustee to accept the payments and distribute them to the beneficiary states. It was suggested that this institution be broadly chartered to enable it to carry out commercial transactions on top of its official duties, thus giving it a chance to remain politically and financially independent.

The decision to found the Bank for International Settlements was taken in January, 1930, under the Hague Convention between the countries claiming reparations, on the one side, and Germany on the other. The Convention sanctioned the Young Plan for the reparations that Germany was to make. At the same time, a contract was signed between Switzerland and the founding nations (Belgium, France, Germany, Great Britain, Italy and Japan) by which Switzerland granted the BIS a special status for its activities in the form of a constitutional amendment; besides exemption from taxes and fees, this amendment expressly states that the bank, its property, its assets and all deposits shall remain immune in times of war and peace against expropriation, requisition, confiscation, foreign exchange restrictions etc. On February 27, 1930, the Articles of Foundation were signed in Rome by the governors of the central banks of Belgium, France, Germany, Britain, Italy, Japan, and representatives of an American banking group. The BIS started operations on May 17, 1930, in Basle. Various countries granted it important privileges. In its relations with the US Treasury department and the Federal Reserve System, the bank had the legal status of a central bank.

The authorised share capital, 25 per cent of it paid up, amounted to 500 million gold francs, divided into 200,000 registered shares. (The gold franc corresponds to 0.290, 322,58 grams of fine gold or, based on the central rate of Sfr. 3.84 per dollar, 1.3620 Swiss francs: from September 27 1936 to May 9, 1971: 1,4286 francs). Original shareholders were the central banks of Belgium, France, Germany, Britain and Italy, a Japanese banking group acting for the central bank of Japan, and three American banks. The American portion, placed in the USA, was subsequently mostly resold to Europe. In 1951, Japan waived its rights under the Hague Convention, the shares subscribed by the Japanese banking group being taken over by the founding banks.

Over the years all the European central banks, except that of the Soviet Union, have joined the BIS. So have the central banks of Australia, Canada and the Republic of South Africa and, since 1970, the Bank of Japan.

In 1969, the authorised share capital was trebled to 1,500 million gold francs, with half of the capital increase earmarked for issuance to central banks newly joining the BIS. On March 31, 1972, the issued share copital was about 1,200 million gold francs, of which 25 per cent is paid up. Some four-fifths of all shares are held by central banks. In keeping with the BIS role as the bank of the central banks, p-ivate shareholders have no voting rights.

purpose of the bank

The purpose of the BIS is co-operation among the central banks, the creation of new possibilities for international financial dealings and action as trustees or agent for international settlement transactions. The nature of the dealings is determined by the board of directors. In particular, the bank is authorised to buy gold for its own account or for that of central banks, to sell gold and to accept gold deposits; to extend loans to the central banks or to borrow from them; to discount, rediscount, buy or sell bills of exchange or other short-term paper of first-class liquidity; to buy and sell currency and listed securities (but no shares) for its own account or for that of central banks; to accept deposits from central banks or from other sources where this is consistent with the policy of the board of directors. The bank is not allowed, among other things, to issue notes made out to the bearer and payable on sight, honour bills of exchange nor extend loans to governments. Neither may any controlling majority holdings be acquired. The dealings engaged in by the BIS must be in harmony with the central bank policy of the countries involved. Before an

international financial transaction is concluded the central banks directly affected must be given an opportunity to object to any transaction running counter to their own monetary policy.

Management is vested in the board of directors. The board is made up of the governors of the central banks of Belgium, France, West Germany, Great Britain, Italy and the United States, one representative from each of these countries from the spheres of finance, industry or commerce, and no more than nine persons elected by the board of directors from the central bank of governors of the remaining member countries; at present it is the turn of the Netherlands, Sweden and, Switzerland to be represented on the board. The United States has never occupied the board seats to which it has been entitled, but close personal relations are maintained with American monetary authorities.

Despite political and economic upheavals, the BIS has managed to preserve full financial independence since its founding. Except in 1945-46, it has always returned a profit, and paid regular dividends. The dividends that were stopped during World War I and the immediate postwar years were made up in later years. Moreover, the profitable commercial dealings of the bank made possible the accumulation of sizable reserves, which, on March 31, 1972, amounted to more than 450 million gold francs.

economic crisis

As the BIS opened its doors, the economic crisis of the 1930s loomed on the horizon. The technical operations involved in the Young Plan faded into the background with the Hoover moratorium, in July 1931, so that the promotion of central bank co-operation became the most important BIS activity and shaped subsequent development. Because of the financial crisis, various central banks felt compelled to seek the aid of the BIS in stand-by credits. Such credits were also granted by central bank consortia headed by the BIS. However, the course of the depression forced a number of the central banks to scale down their deposits with the BIS, so that credit operations had to be cut back as well. Even so, it was possible to carry out some transactions of a more commercial nature, in which a central bank authorised a credit in its cown currency and received in return a credit in gold or another currency. To the extent that the credits were utilised, they afforded an exchange-rate guarantee, thus creating forward exchange markets, nonexistent in many countries at that time.

When World War II broke out, it was decided to continue only those operations which were unobjectionable to both belligerents and neutrals. The board of directors and general meeting decisions had to be taken by correspondence. The BIS did a big job for those European central banks which transferred most of their monetary reserves overseas, primarily to New York.

II

International Cooperation

The Bretton Woods Monetary Conference of 1944 recommended the liquidation of the BIS, since the signatories thought that the decisions to found the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank) has made the BIS superfluous. But when the war ended and international financial relations were resumed, it soon became obvious that the areas of the Bretton Woods institutions and BIS did not overlap but supplemented each other.

At the end of 1946 the BIS board resumed its monthly meetings. The first object was to liberate the balances frozen in the USA which did not originate in countries whose assets were still blocked. The deposits of central banks, having shrunk to a minimum during the war, began to grow again. In 1950 these had reached 500 million gold francs. By 1972 they had soared to 27,000 million.

With the introduction at the end of 1958 of convertibility by the leading European countries, a new era dawned for the BIS. Its scope expanded with the gradual return of freedom of movement in international capital transactions. Close co-operation with international bodies developed in monetary policy, for example with the nations of the group of the Ten (Belgium, Canada, Federal Republic of Germany, France; Great Britain, Italy, Japan, Netherlands, Sweden, United States), and the Balance of Payments Committee of the Organisation for Economic Cooperation and Development (OECD). Switzerland participates in the meetings of the Group of Ten as an observer.

The BIS board's monthly meetings at which the governors of the most important European central banks, a representative of the US monetary authorities, and often governors of other central banks, get together in Basle, provide a forum for co-ordinating monetary measures. Thus, in October, 1961, the United States, Britain, West Germany, France, Italy, Switzerland, the Netherlands and Belgium established a gold pool which was fed by the central banks of those countries and managed by the Bank of England. The task which the pool optimistically set itself was to prevent excessive rises in the gold price above $ 35 an ounce through intervention selling; gold was then bought on the market once the price had quieted down again. However, in late autumn of 1967 the speculative demand for gold grew to such proportions that the pool was quickly overrun; its disbandment in March, 1968, led to the splitting of the gold market, since the $ 35 price became then only valid for transactions between the central banks. France had already withdrawn from the pool in mid-1967. Readers of this column will remember that I reported Jacques Rueff's prophesy of these events some years before they occurred.

The term "Basle Agreement" was given to the support arrangements of March 13, 1961, for bolstering the pound sterling, as Britain suffered losses of reserves following the revaluation of the West German mark and the Dutch guilder. The participating central banks declared themselves willing to accept pounds sterling against their own currencies and the Bank of England provided an exchange rate guarantee. The swap operations for the benefit of sterling ultimately totalled $ 916 million, which was paid back in full by the end of October, 1961. In 1966 and 1968 two joint credits were opened in the Bank of England's favour by various central banks and the BIS. The first, totalling $ 600 million, was utilised fully and has been repaid. The second of $ 2,000 million was extended for two years in 1971 and has yet to be drawn upon.

The BIS is also involved in the network of swaps set up between the Federal Reserve Bank of New York (acting for the US Treasury department) and 14 central banks in Europe and elsewhere. The main purpose of these agreements is a foreign exchange guarantee covering part of the large dollar balances which have accumulated with the European central banks. The BIS entered into similar agreements with other central banks.

To further the financial and monetary policy of the central banks, the BIS has repeatedly issued its own bills of exchange to the commercial banks of a country, with the object of skimming off surplus liquidity. Incidentally, business is done with private banks only to the extent necessary to fulfil the BIS objectives.

III

International Trustee

The BIS has a many-sided function as trustee and agent. As far back as 1930, the BIS became agent for the Young Plan, the German external loan of 1924 (Dawes

Loan), the International Loan of the German Reich of 1930 (Young Loan) and the International Federal Loan of the Republic of Austria of 1930 (Ibaro). World War II interrupted these activities, but the BIS resumed its trusteeships actively in 1953. For the Dawes and Young loans, the BIS assumed the function of trustee for the new bonds issued by West Germany in accordance with the 1953 London Agreement on German foreign debt. The BIS is performing the same task for Ibaro following the 1952 conference on Austrian foreign debt. None of these three loans has been fully repaid as yet.

acting as pledgee

For the various loans floated in the USA and in several European countries between 1954 and 1961 by the European Coal and Steel Community (ECSC), the BIS acted as pledgee. These loans are used to extend credit to companies in the member countries. The BIS accepts the funds from the investors and passes them on to the firms designated by the ECSC against a pledge of the credit claims and accessory rights. It also accepts the interest and principal payments and transfers them to the creditors. The claims on the borrowers and the associated collateral constitute a special portfolio — a collective pledge for the creditors — managed by the BIS together with national agents.

In autumn of 1947 the European governments participating in the Marshall Plan appointed the BIS their agent to carry out an agreement for a limited clearing system. This agreement was the first attempt to rise above the strictly bilateral relations which had existed since the war. Although the result of these efforts was modest, the experience gathered paved the way for subsequent accords.

In 1948, the newly founded Organisation for European Economic Cooperation (OEEC) entrusted the BIS with putting into effect the agreement on intra-European settlements and clearing transactions. This agreement was directly related to the distribution of American aid, which was supplied on the basis of the estimated balance of payments deficits of the beneficiary countries not only as direct monetary aid in the form of dollar allocations, but also as grants in European currencies. Taking the place of the intra-European settlements and clearance agreement in 1950 was the European Payments Union (EPU), for which US aid had provided the initial capital. The mechanism of the EPU was based on monthly clearing of the bilateral balances between the participating central banks. Taking the reported figures on bilateral deficits and surpluses, the BIS had to establish the net position of each nation with relation to the Union, arrange for equalisation payments in gold and dollars or for equalisation credits, and invest the liquid funds.

On December27, 1958, the leading EPU members introduced convertibility. As early as 1955 the European Monetary Agreement (EMA) had been signed for this eventuality, and now that it took effect, the BIS was entrusted with the technical arrangements. Its goal was to promote multilateral dealings in world trade and monetary convertibility. The two main instruments involved are the European Fund, which extends short and medium-term aid to member countries to bolster their payments' balances, and a multilateral settlements system permitting the central banks of the member nations to convert their holdings of currencies of other member nations into dollars at a fixed rate. In contrast to the procedure followed in EPU, the greater part of the balance equalisation between member countries can, because of the convertibility, be done on the foreign-exchange market at the going rates. The BIS reports monthly on the business transactions under the agreement and on the investments of the European Fund, and compiles monthly statistics on the international gold and foreign-exchange markets and on the monetary positions of the OECD nations. The agreement was due to expire at the end of 1972.

information medium

Furthermore, the BIS has been responsible since 1963 under the EMA, and since 1964 within the framework of the Group of Ten, for keeping the participating central banks and the Balance of Payments Committee of the OECD informed on the financing of balance of payments deficits of the countries involved. Similarly, it is the central compilation and distribution agency for Euro-currency market statistics.

We come finally to the functions of the BIS in co-operation among the EEC central banks. Since 1964 the committee of governors of these institutions has met regularly, usually at the BIS, which provides the secretariat. For example, the agreement on narrowing the margins of fluctuation within the EEC was reached during the meeting of EEC central bank governors in Basle on April 10, 1972.

Thus the duties assumed by the BIS as trusted or agent are innumerable. Experience has shown that, when it comes to providing facilities for implementing certain international agreements, an institution of combined official and commercial character, in close contact with the markets and the monetary authorities, can offer the most favourable terms and maximum security for all concerned.

The BIS is not only a bank serving central banks and a trustee or agent under international accords—it is also a centre for research and the exchange of ideas. The regular publications include the annual report which, together with the report on the bank's business with balance sheet and profit and loss statement, contains a far-reaching survey of the international economic and monetary situation, international trade and settlements, gold production and the distribution of gold holdings, the Euro-currency market, etc.

objective presentation

The economic and monetary survey is not subject to formal approval by the board of the general meeting. It is rather, an open and objective presentation, admittedly influenced by the leading personages, but binding neither the central banks nor the governments. As a rule, the members of the board and the directorate are able to draw on a wealth of experience with the point of view of the monetary authorities which is evident in the evaluation of facts and in the conclusions drawn. At the same time, domestic attitudes are avoided in weighing the continuous changes which result from progress in the economic sciences, from the development of new concepts in monetary policy and from the lessons of day to day events.

The BIS never hits the headlines and only the general meeting in June, which unites the top people of the central banks from more than 50 countries and the heads of international organisations such as the International Bank for Reconstruction and Development and the International Monetary Fund, attracts a paragraph or two. On the other hand readers of this column will be familiar with the annual report which is carefully scanned by economists all over the world. The monthly meetings of the governors of the leading European central banks, who confer on current monetary problems, only get reported when decisions are taken on special action, although even then official statements are rarely issued. Thus the activities of the BIS remain largely hidden from all but the cognoscenti. The bank believes that this shyness helps currency stability.

The BIS is important as an advisory and regulatory instrument, as well as an international forum. Within the scope of its varied functions, it contributes to the solution of questions of monetary practice and policy. In recent years there has hardly been any monetary decision

of moment which has not be thrashed out at the BIS. And since these problems are likely to stay with us, the promotion and support of international co-operation among the monetary authorities will continue in forefront of the BIS tasks.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of the *Business News Survey* issued by the Swiss Bank Corporation in Basle, but the corporation is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

Asia: problems of reconstruction

Hardev Singh

UNEMPLOYMENT WAS generally on the increase in Asia in recent years which led to a change in the traditional strategies of development. That the removal of mass poverty and unemployment have received high priority in many Asian countries is supported by the annual report of the Asian Development Bank (ADB) for 1972. The ADB report has held that some of the new approaches to development would be relevant to foreign aid policies. It has, therefore, increased its lending and technical activities during the year.

Loan approvals during 1972 went beyond $ 316.09 million against $ 254.03 million in 1971—an increase of about 24 per cent (see table below). The year's lending activities were heavily biased in favour of the development of infrastructure facilities—electric power, transport and communications. As much as 60 per cent of the loans during the year 1972 were offered for this sector. Another outstanding feature of the year's activities was the sharp increase in concessional loans from $ 51.51 million in 1971 to $ 94.34 million in 1972.

loan business

By the end of 1972 the Bank had made 117 loans totalling $ 955 million out of which 73 loans for $ 753 million were from ordinary capital resources and 44 loans for $ 202 million from special funds resources. The average size of the Bank loans recorded a further increase in 1972. The average size of loans from ordinary capital resources was $ 13.9 million as compared with $ 12.7 million in 1971.

There were two significant trends in the year's operations. First, the Bank tried to participate in project identification and preparation in the case of a number of small and less developed countries. As a result Fiji (which received its first loan), Nepal, Papua New Guinea, Sri Lanka, the Republic of Vietnam and Western Samoa, received much larger financial assistance than in 1971. The Bank's participation was considered essential because these small countries did not have well-developed agencies which could prepare the basis for claiming funds from international agencies which might be willing to offer assistance. Bank loans to these small countries in 1972 more than doubled as against the previous year. For instance, Nepal received $ 28.8 million as against $ 4.5 million, Sri Lanka received $11.10 million against $7.75 million, the Republic of Vietnam $ 6.3 million against $ 2.5 million and Western Samoa $ 2.6 million against $ 0.33 million. The overall share of these six countries in Bank lending in 1972 was 17.5 per cent as compared with 7.8 per cent in 1971. Another significant trend was a sequel to the expanded operations in the small countries. The Bank offered large sums on concessional terms during the year, a rise of 83 per cent from $ 42.83 million to $ 94.34 million. This was the largest annual increase since special operations started in 1969.

The improved prospects for peace in the war-devastated countries of the region especially Vietnam brought to the fore the massive problems of reconstruction and rehabilitation of their economies. Capacity utilisation of various factories in operation in these countries was low owing to transport difficulties. But most of the factories had ceased to operate due to disturbed conditions. In Cambodia, for instance, the oil refinery had not operated since January 1971 because of the partial destruction of its installations. Private industrial enterprises and many workshops operated at very low capacity or often closed down because of shortage of labour and raw materials. The activities of the tertiary sector were also seriously disrupted by the prevailing insecurity in Cambodia. In Laos also production of timber fluctuated because of the military situation. The war also prevented any accurate survey of the mineral resources of the country, although work with magnetic-detection processes indicated the existence of substantial deposits of iron ore and other minerals. In Vietnam also most industries were adversely affected by war.

The report of the ADB for 1972 states that "the Bank stands ready to share the burden of reconstruction and development in this area". The claim sounds good but the funds at the disposal of the Bank are not so large as to be able to deal effectively with the situation. In this context the castigation by Mr M.G. Kaul of world's industrialised countries for payiug so little heed to the interests of developing countries was justified. Mr Kaul participated in the sixth annual meeting of the Asian Development Bank held recently in Manila.

Loan Approvals : 1968-1972

(Amount in Million US $)

	Loans from ordinary capital resources		Loans from special funds resources		Total loans	
	Amount	Number	Amount	Number	Amount	Number
1968	41.60	7	—	—	41.60	7
1969	76.09	14	22.00	6	98.10	20
1970	211.94	22	33.69	10	245.63	32
1971	202.52	16	51.51	12	254.03	28
1972	221.75	16	94.34	16	316.09	32
Total	753.00	73*	201.54	44	954.56	117*

* Excludes 90.4 million approved and 90.5 million approved in 1970 incorporated in 1970 and 1971 respectively.

BOOKS BRIEFLY

Irrational tax structure

Reviewed by
Academicus

Commodity Taxation in India: D.T. Lakdawala & K.V. Nambiar; Sardar Patel Institute of Economic and Social Research, Ahmedabad; Pp. 189; Price Rs 30.

Efficiency Audit of Public Enterprises in India: Laxmi Narain; Orient Longman; Pp 304; Price Rs 35.

The Needs of the Co-operative Movement of Bangladesh: International Co-operative Alliance; Pp 115; Price Rs 10.

Agro-Economic Problems of Tribal India: Edited by M.L. Patel; Progress Publishers, Bhopal; Pp 136; Price Rs 20.

Economic Development: Means and Ends: L.K. Jha; Vora & Co. Publishers Private Ltd, Bombay; Pp 208; Price Rs 20.

Central Planning in India: Sudha R. Shenoy; Wiley Eastern Private Ltd, New Delhi; Pp.122; Price Rs 10.

In a developing economy taxation plays a vital role both in mobilising resources for investment and as regulator of the economy. But it so happens that most of the specific studies on taxation have concentrated mostly on direct taxation though it is the taxation of commodities and services which at present contributes about eighty per cent of the aggregate tax revenues and affects practically every one in the country. It is surprising that this field has remained neglected for so long. *Commodity Taxation In India* makes an attempt to explore this field of taxation.

The authors have analysed the tax structure prevalent prior to 1970-71. The objective is to examine the structure of the major items of commodity taxation at the central, state and local levels in the country with a view to finding out their main features and locating the areas where coordination and rationalisation are urgently called for. The authors have made it clear that the study does not aim at studying the effects of taxation on production, prices and profitability of different industries.

three defects

It would be instructive to know the findings of this study. According to the authors in India at present taxation of commodities accounts for nearly fourth-fifths of the aggregate tax revenues. It is generally alleged that commodity taxation has three defects: it cannot be adjusted to the personal circumstances of the tax-payer like his marital status and size of his family; it is generally regressive in nature; and lastly it is inflexible to income changes. But the studies of the ministry of Finance have established that "in terms of different consumer expenditure groups, commodity taxation in India has been progresive; but the higher the income, the lower the percentage of expenditure to income so that a progressive commodity tax burden in terms of expenditure groups may mean a regressive tax burden in terms of income groups."

surprising aspect

A surprising aspect of the incidence of commodity taxation brought out by incidence studies is its lower burden on rural expenditure groups as compared with their urban counterparts. According to the authors, a comforting conclusion is that even the lowest groups pay a good proportion of their expenditure by way of state taxation. There is great limitation on direct forms of taxation in India which can reach only a very small percentage of population who however are made to contribute their share to national development through commodity taxation.

The authors have found that contrary to expectations, direct taxes have proved less elastic than commodity taxation. Further, sales taxes being ad valorem levies have proved more elastic than excise duties which are mostly levied on specific basis.

The commodity tax structure in India, according to the authors, is however highly irrational. In a planned economy commodity taxation should help realise three broad objectives: (i) release resources from the private to the public sector (i.e. from unproductive consumption and low priority investment to productive consumption and highly productive investment), (ii) release certain commodities for foreign markets or restrain imports, and (iii) see that surpluses or rents accruing on account of specific controls or of production bottlenecks are entirely absorbed by the state.

different catagories

In the first case commodities will have to be divided in different groups such as essential goods, luxury items, capital goods and so on and taxed at different rates. In the second case taxes at different rates on the same commodity will have to be imposed according to whether it is imported, exported or consumed at home. In the third case appropriate tax rates to eliminate the gap between supply price of planned or actual production and market demand price are called for. According to the authors at present "there seems to exist a bad mix-up of these objectives." Thus import duties are seen to be decided on the first principle, excise duties are levied at highly differential rates largely on historial grounds and sales tax, though on the whole more rational, suffers from severe jurisdictional difficulties and lack of coordination of states' measures.

The authors have given due consideration to some of the important features of customs, excise and sales tax. Thus according to the authors, though Indian import duties have been considerably rationalised, there is yet greater difference between Indian and world prices of imported commodities. The situation warrants "filling up the gap by higher import duties unless a comprehensive price and distribution control is contemplated as alternative or all imports are channelled through a body like the State Trading Corporation which should resell imports at market or near market prices."

As regards excise duties, the question that must be squarely faced is the precise reasons that led to the levy of high rate of duty on a particular commodity. If the heavy rate on an item is justified on revenue grounds, then similar items must bear equally high taxes. If it is on regulatory ground it should be examined whether the purpose is best served by the particular tax measure. As regards sales taxation, the authors are of the opinion that

though absolute uniformity in rates of sales tax is hardly possible, the rate disparities must not be such as to shift purchases from one state to another. It is also suggested that there should be greater coordination between excise duties and sales tax and that states should concentrate more on items which do not bear any excise. As regards taxation of services, with a view to making the tax system more productive and less inequitous, according to the authors, it would be desirable to extend the indirect tax system to organised business services such as automobile repairs, radio repair services, services of doctors, lawyers and so on.

Whenever the state wants more revenue the tendency for quite some time is to concentrate more and more on direct taxes, though it is the commodity taxation which in a developing country is bound to contribute overwhelmingly larger share of the tax revenue for years to come. It is indeed surprising therefore that since the Taxation Enquiry Commission of 1952 hardly any worthwhile studies have been undertaken in regard to commodity taxation. Dr D.T. Lakdwala and K.V. Nambiar have therefore done well to take up this problem for analysis. The recommendations they have made can be implemented easily and without much administrative strain on the governments concerned.

EFFICIENCY AUDIT

Since independence the public sector in India has been expanding and has assumed a strategic position in the Indian economy. If this trend is to continue (as it appears to), it becomes a matter of vital importance that public enterprises which at present are generally in a sorry state of affairs should operate efficiently. This necessitates regular inspection of the reports of their performance by an agency independent of and external to public enterprises and commanding faith and confidence of Parliament. The Indian Constitution vests the Controller and Auditor General of India with the responsibility of keeping watch over the regularity and properiety of expenditure voted by Parliament. Laxmi Narayan in this pioneering study *Ffficiency Audit of Public Enterprises in India* analyses and evaluates the audit of public enterprises conducted by the Controller and the Auditor General of India and discusses the various problems involved in evaluation of efficiency in the public sector.

The author is of the opinion that accountability of public enterprises has always been considered much wider than what is specified in law. It must be understood that control is not an end in itself. It is a fact that the management of public enterprises in general is not happy about the approach, method and attitude of audit. It is certainly a fact that the audit and the way it is conducted at present make for an attitude of playing safe and delay in decision making.

According to the author, after independence the Auditor General took up efficiency evaluation of developmental expenditure by "adding a gloss to the interpretation of his function." But, according to the author, he has not geared and streamlined his machinery to cover adequately the new dimension which he added to his responsibilities.

establishing rapport

The author rightly believes that exposure to an external audit is absolutely necessary provided it does not affect the initiative and enterprise of the public sector manager. The audit should not be viewed as merely a watch-dog or a blood-hound but should be viewed as an agency which can help the public enterprise to establish its rapport with parliament and in protecting it against the unauthorised tinkering by the executive. Laxmi Narayan believes that the Auditor General has an important role to play in regard to public enterprises, provided "a system suited to our genius and need is developed and worked properly."

In reviewing performances of individual enterprises, the audit has applied various tests such as utilisation of manpower, utilisation and control over materials, utilisation of machines, expenditure control, managerial efficiency and overall efficiency with reference to financial performance as also with reference to costs of production. On the whole tests chosen are valuable in themselves but the author is of the opinion that they should be applied more uniformly and consistently rather than on the basis of availability of data. The reviews as prepared at present could be more useful if adequate analysis is made. This is generally not done by audit.

Also, according to the author, the present approach of audit of taking up only those areas or facts of working which show an enterprise in an unfavourable light hinders a fair picture of the entire situation. The audit, if it wants to help improve efficiency, should not suppose that suggesting measures of economy and efficiency are not within its purview. The present delay in decision-making by managers of public enterprises is at least partly due to the time taken in anticipatory safety measures against possible audit objections. The audit by its strict enforcement of rules and procedures "accentuates the rule-ridden approach which is detrimental to decision-making in fast-changing business world." Such an approach certainly will not produce results and therefore must be changed. The audit will have to shift its emphasis from comments on individual decisions to overall results and to failures to achieve specified goals. The best solution to the problem of approach of audit would be to suggest that the audit should wear the cap of a manager when questioning management decisions.

There is another very important aspect to which the author has drawn attention. Profitability cannot by itself provide a correct index of efficiency of public enterprises. If the sole test of profitability is abandoned, performance may be tested on the basis of achievement of production targets, sales targets, unit cost of production, various financial ratios, optimum utilisation of various resources and so on. Whatever the indices, great care in needed in putting them to effective use. The effciency evaluation is a complex and multi-faceted problem which needs not only much technical skill but also a considerable amount of common sense.

important aspect

The audit will also have to take into consideration one more aspect of public enterprises, namely, their role in promoting non-commercial objectives. This covers aspects such as carrying surplus labour, acting as model employer, keeping prices low in the public interest and so on. When these objectives are also expected by the people from the public sector concerns, it would be wrong on the part of audit to test their efficiency on the basis of financial performance alone. The author has therefore rightly suggested that taking into view the various objectives of public sector enterprises, the government should lay down profit targets for individual public enterprises, provision also being made for adjustment of profit targets, if circumstances beyond the control of the enterprise are likely to upset them.

One constructive suggestion which the author has made is that India should adopt the French practice of preparing two audit reports--a general report covering the achievements of objectives, both financial and physical,

without detailed criticism and the second containing critical analysis of the working including confidential data on costs etc. The author's suggestion is that the latter report should be kept confidential and made available only to the minister and members of the Committee on Public Undertakings. This would ensure necessary control over the public enterprises as well as help in keeping the morale of the managers high.

While the author has made a number of useful suggestions in respect of efficiency audit of public enterprises in India, most of them are of a general nature. All over the world, while the public sector is expanding the problem of how to reconcile accountability and efficiency has not been successfully solved even in a single country. It is obvious that since public enterprises are started with different economic and also social objectives, it would be unjust to apply only the financial criterion to judge their performance. Possibly the remedy lies in evolving suitable criteria for different public enterprises taking into view the various objectives with which they were started as also financial involvement. It is here that experts like Laxmi Narain can make positive and significant contribution to this important field on the basis of empirical studies which should be undertaken for the purpose.

CO-OPERATIVES IN BANGLADESH

A national seminar on "the Needs of the Co-operative Movement of Bangladesh" was held in Dacca in June 1972 by the Bangladesh Jatiya Samabaya Union with the technical assistance of ICA Regional Office and Education Centre for South-East Asia the contributions to which are published in *The Needs of the Co-operative Movement of Bangladesh*. Since it has been been decided to plan the development of the co-operative movement in Bangladesh at the very outset of its independent existence so that the co-operative movement could grow as a movement of the people by the people and for the people, it would be instructive to note the outcome of the deliberations. It was extremely significant event for Bangladesh as planning of the co-operative movement was being done from the bottom by the co-operators themselves and on their own initiative.

The seminar has drawn attention of the elected leaders of the movement as well as the officials charged with the task of co-operative development to the needs of the co-operative movement of Bangladesh and they have apparently been seized of the urgency of the need to solve the problems of co-operative movement if the movement is to play its indispensable role in the task of national development .The seminar has drawn attention to the entire range of the needs of cooperative movement of the country. The findings of the seminar will certainly help the movement as well as the government to steer clear of unco-operative ventures which masquerade as co-operatives using 'co-operative' name and co-operative structure but not the co-operative method, thus doing great harm to the cause of co-operation.

The various recommendatioans passed at the seminar will give an idea of the way of thinking in Bangladesh on the co-operative movement.

village society

It was felt that the village primary society is normally not an economically viable unit. On the other hand a village-based society has the advantage of being in close contact with its members. It was therefore recommended that flexible approach be adopted which would allow a primary society to be formed at the administrative level at which the needs of the members would be served best having regard to the type of farming prevalent in the area. The standard primary society should be of the multi-purpose type undertaking functions such as mobilisation of savings, supplying credit (both in cash and kind)' supplying various inputs, distribution of consumer goods, selling produce of members, performing common services and providing co-operative education. It was suggested that the area of operation should permit easy accessibility in terms of business contact among members. Potential viability within a reasonable period of time should be there.

The seminar has made detailed recommendations on fishermen's and weavers' societies, handicraft, cottage and small-scale industrial co-operatives, district and national unions and their constitutions and functions. These district and national unions are entrusted with the duties of education and training, promotion and extension, auditing, research, survey and investigation, and planning.

As regards co-operative legislation, the seminar was of the opinion that a voluntary and autonomous movement cannot develop under the present law in respect of co-operative societies and therefore recommended that the law be so revised as to provide for the self-regulation of co-operative societies and that the law should merely lay down norm for determining the viability of a society

As regards the general policy, th seminar was of the opinion that in th emerging formative stage of the co-ope rative movement in Bangladesh, the gov ernment has a crucial role to play in th development and strengthening of th movement, withohut interfering with th self-reliance and autonomy of the move ment as recommended by the I.L.O. The seminar also recommended that the co-operative organisations should not be nationalised as they are people's organisations.

It is a good augury for the Co-operative Movement of Bangladesh that at the very commencement of the movement, co-operators have been deliberating on the lines along which the movement should proceed in future. This is because once the evils and the vested interests get entrenched as they have done in India it becomes a herculean task to get rid of them. Above all the co-operators of Bangladesh will have to guard that powerful sections in rural communities do not exploit the movement for their personal interests. Many Indian co-operators participated in the seminar and it is good that they have made available to a friendly country the valuable lessons of their long exeprience in the field.

TRIBAL PROBLEMS

Tribals constitute a significant portion of the Indian community and certainly one of the most neglected both during the British days and even after independence. They are spread all over India and the states have paid so far only lip sympathy to their welfare. If anything, their position has been deteriorating since independence. What is worse, even Indian intellectuals and researchers have not shown much keenness in studying their economic conditions and socio-cultural background. *Agro-Economic Problems of Tribal India*, edited by M.L. Patel and containing 13 research papers is therefore extremely welcome as it enfolds before us a new world of which an average Indian scholar is only vaguely aware.

Discussing the 'Policy Measures for Development of Tribal Agricuture' Dr. B. N. Pal has argued that the process of socio-economic reforms has to be evolutionary and not revolutionary as customs and traditional values among tribals are sacrosanct. He has defended the stand taken by the anthropologists that any undue haste would only send the intended beneficiaries back into their

shells. The author has attributed several factors such as low, insecure, and unstable incomes, illiteracy and ignorance, unemployment, primitive method of cultivation, isolation from developed areas and society due to defective communicataion system as responsible for the exteremly backward condition of most of the tribals. Dr. Pal has in his scheme of development given priority to irrigational projects, technological improvement, credit facilities and check on exploitation by legislative measures and administrative steps.

As tribals believe in communal ownernship of land there is according to Dr. Pal, bright future for co-operative farming among tribals. Land alienation of tribals must therefore stop. Cropping patterns of tribal areas are non-commercial due to lack of monetisation. He has also suggested the need of changing the attitude of tribals towards economic values. He has suggested an educational drive among the tribals which however, atleast to begin with must be based on tribal traditions and be in accord with their cutural compulsions.

reverse movement

N. S. Jodha has drawn attention to the shortcoming of development policies which have however by-passed the interests of nomadic tribals of Rajasthan. According to him the economy of the tribals of Rajasthan has probably moved in the reverse direction.

I. P. Singh has analysed the credit requirements of tribal cultivators of West Ninar district of Madhya Pradesh. Their's is a deficit economy to which is attributed their indebtedness. What comes in the way of availability of credit is their inability to furnish adequate tangible security like land. The moneylenders charge anything between 18 per cent to 75 per cent interest. Major portion of the loan is taken for unproductive purposes. Inadequacy of subsidies granted to tribal cultivators of the district is responsible for the lack of inducement among them to make any headway in farm investment and soil conservation work.

J.R. Pawar writing on tribal agriculture in northern Gujarat has drawn attention to the anomaly of agricultural development in tribal and non-tribal areas. The author has suggested that progressive use of new farm-inputs, ad- of new farm technologies and diversification of tribal economy would greatly help in raising the economic position of tribal farmers.

M. L. Patel, discussing the problems of land-ownership rights of tribals and their land alienation, has referred to the law which restricts the transfer of land from tribals to non-tribals. This has however brought down the price of land and there is great disparity in prices of land owned by tribals and non-tribals. He has suggested the device of shadow prices to enable the tribals to get a reasonable price for their land.

Dr, P. D. Sakia has analysed the role of marriage, religion and other social institutions in economic development of Dafla and Galong tribes of NEFA. While formulating development scheme for these tribals, the strong hold of soclial institutions on these people must be kept in view.

price policy

Writing on 'Price Policy for Subsistence Agriculture', Mr. Patel has suggested that price policy should aim at (i) reducing seasonal fluctuations to the minimum and (ii) reducing the distress sales by subsistence farmers to the minimum. The overall agricultural price policy should have the objective of promoting productivity per acre in both subsistence and commercial agricultural sectors.

Dr, P. N. Pal, writing about farming practices, has revealed that mechanisation is not essential for intensive cultivation specially in tribal areas where farming is practised on slopy lands. He has pleaded for the evolution of a suitable intermediate technology for improving tribal agriculture.

There is a great need to have a comprehensive development policy for the tribal people who have so far received scant attention by the union and state governments. What is to be kept in mind is that the policy will have to take note not only of the economic factors but also of socio-cutural factors which have a strong hold on the tribals of India. Also as the socio-cultural patterns and value-systems differ from tribe to tribe, there is no possibility of evolving an omnibus policy for all the tribal people and regions of India. This means comprehensive socio-economic studies of different tribes are a basic necessity for evolving suitable policies for them. While the attempts by various authors in this book are welcome, unfortunately most of the essays are superficial in their analysis. Close association of tribal leaders in such studies alone might give the western educated scholars deeper insight into the lives of tribals of India. Such work can be undertaken not by individual scholars but by research institutions where close collaboration among economists, sociologists and anthropologists is possible.

GROWTH AND DEVELOPMENT

Economic Development Means and Ends is a colleaction of speeches made by L. K. Jha on different occasions between 1967 and 1970 when he was the governor of the Reserve Bank of India. Since the author occupied a position of authority and was in a position to influence the polcies of the government, it is with great interest and expectations that one is attracted to his book. It must however be said in favour of the author that the speeches are meant not so much for the specialists as for the average citizen who in a democracy has a say in evolving government's policies on which his future depends.

In the very first article, the author has raised a fundamental issue namely distinction between growth and development. He has posed the question whether for our conditions and for the kind of problems which India is facing, an increase in growth rate should be the only supreme objective of our developmental efforts; whether an increase in output per head, while undoubtedly necessary, is a sufficient indicator of the developmental process. He answers that in developing countries the problem is much wider than mere growth i.e. increase in GNP.

important aspects

Matters of education, public health, improvement in transport and other means of communication, suppression of diseases, provision of clean drinking water, etc., etc., are all important aspects of development and though they may not immediately and directly contribute to growth by increasing GNP, they affect the happiness of the people greatly and there is no doubt that they build up the long-term potential for economic growth. These developmental aspects though appear to be in conflict at least in the short run with growth, must receive due attention by the government and planners. There should be no objection to accepting this approach of the author by developing countries. In the long run such an approach is bound to be more profitable and beneficial than merely concentrating on growth in a narrow sense

Putting the same problem in another perspective, the author in the next two essays has emphasised the importance of human element in economic development. "Material elements in the last analysis turn out to be less crucial than what is

usually imagined. Human ingenuity can increase output per acre of land, step up the production of existing plant and machinery and create new industries out of such material resources as are available." It is therefore absolutely necessary that instead of concentrating exclusively on GNP we, at the same time pay attention to the development of human factor which is basic to progress.

Writing about the need for fresh economic thinking, L. K. Jha has rightly emphasised that while it would be fruitful for Indians to learn from the experience of developed countries, it is necessary for the newly independent countries to evolve their own pattern of thought and organisataion that would answer their needs more effectively and satisfactorily than any borrowed model either of J. M. Keynes ,or of Rostow or of Tinbergen. The author has rightly emphasised that "the job that Indian economists have to do at home can be better done by them than by anyone else because they know the people, understand their problems, speak their language and share their experience." Sooner we learn to depend upon ourselves than on borrowed models and on foreign experts (who used to visit this hospitable land in torrents during the Nehru era), better would it be for the future of this country. Thank God this tribe of ignoramuses masquerading as experts abroad is thinning in recent years!

The author's various articles on topics such as international monetary scene, role of banking system in our economy, new industrial horizons and our banking system, need for budgeting of credit, the role of state financial corporations, etc, are mostly informative and there is hardly anything new or original in them by way of either analysis or recommendations.

greatest enemy

After long experience of inflation for which the Reserve Bank of India was no less to blame, the ex-governor has now come to be the conclusion that "..... inflation is the greatest enemy of growth." As a remedy the author has suggested that the level of investment should be at the level of saving done by the community.

Writing about price policy in a developing economy, the author has maintained that the pricing system is and should be regarded as an instrument of economic management rather than a matter of ideology. Economic and efficient pricing and profit as yardstick of efficiency are common to both market and collectivist economies. "What is needed is a controlled use of the pricing system rather than price controls so as to obtain the advantage of the efficient and economic use of resources within the broader ambit of planning—of combining the interests of consumers with incentives to producers—in short, to strike via media between centralised control and complete freedom."

In his last essay the author has pleaded for manpower planning and gearing of the educational system keeping in view the future requirements of different types of skills. It is only then that our educational system can enrich our economy and the economy in turn can spend more on education and research.

Since these are a collection of his speeches, possibly it is not the fault of the author that they are a sort of rambling discourses without either comprehensive treatment or proper co-ordination and integration of different aspects of the problem. What is most disappointing is that the treatment often is too general even for the general reader for whom the book is meant. While the author has fervently pleaded in one of his essays referred to above that we must not borrow but evolve our own institutions and policies, the dominance of western thought and institutions is writ large on the thinking and writings of L. K. Jha.

PLANNING IN INDIA

There is a surfeit of critical writings on India's five year plans and *Central Planning in India* is an addition to that sickeningly growing literature on that subject. According to Miss Shenoy the high hopes that accompanied the achievement of political independence of the country were mostly based on the anticipated successful outcome of the central control and planning of the economy. This doctrine of rapid development of the economy through central planning had its attraction for the nationalist leaders who therefore embraced the credo with great gusto. Miss Shenoy has demonstrated both the failures of the Indian plans to achieve their declared objectives as also their fundamental misconception of the country's needs. When for the vast masses of the Indian population water and food and such other essentials are the most urgently needed goods, the planners concentrated their attention on rapid industrialisation, neglecting agriculture.

According to Miss Shenoy we had therefore the strange spectacle of "the world's largest industrial nation feeding the largest agricultural nation." What Colin Clark has called "economic showmanship and conspicious investment' have taken precedence over the human but prosaic task of providing adequate food for the masses. The consequence is that in spite of the so-called green revolution, the per capita availability of foodgrains (except in the case of wheat) is actually declining. And yet there seems to be dogged persistence with the old approach to progress through heavy and basic industries as is evident from D. P. Dhar's latest pronouncement. What the planners have not realised even after twenty years of planning is that there has to be a proper balance in investment in the heavy industrial sector and agricultural sector or consumer goods industries. The consequence is an inflationary situation which is threatening to devour all the progress made so far.

trade deficit

Unfortunately with all the emphasis on industrialisation, even the sucessive plans of industrialisation with emphasis on import-substitution have only resulted, according to Miss Shenoy in "the evaporation of sterling reserves accumulated in the war, and a mounting trade and exchange deficit which has had to be met by foreign aid."

While the critical part of Miss Shenoy's writings appears fairly satisfactory, her suggested measures and policies have hardly any chance of acceptance, nor can they be said to be sound theoretically. Miss Shenoy has suggested that an essential condition for solving India's massive economic problems is the creation of competitive markets and pricing to make the most efficient use of inadequate economic resources. This is the classical remedy prevalent in the 19th century and its advocacy in the last quarter of the 20th century in developing countries such as India betrays complete ignorance of changed socio-political and economic conditions.

What seems appropriate at present in India and other developing countries is a proper combination of some elements of the free market economy and of economic planning. This is what appears to be happening even in western countries. Advocacy of classical doctrines in backward countries is certainly a retrograde step. The theoretical hold of Prof. B. R. Shenoy on his daughter appears to be complete. Earlier she gets rid of that hold and attempts to strike fresh ground on her own, better would it be for her

and possibly for the Indian economy.

Reform of the Indian Banking System

The Institute for Financial Management and Research organised an all-India seminar on the Banking System in Madras in December last. The papers presented by leading authorities in the field of banking and the proceedings of the seminar have been published in book form under the title. "Reform of the Indian Banking System".

BOOKS RECEIVED

Sri Aurobindo: An Interpretation: Edited by V.C. Joshi; Vikas Publishing House Private Ltd., 5 Daryaganj, Ansari Road, Delhi-6; Pp 174; Price Rs 25.

25 Years of Indian Independence: Edited by Jag Mohan; Vikas Publishing House Private Ltd; Pp 343; Price Rs 35.

India's Foreign Exchange Reserves: Braj Kishor; Published by D.B. Mahatme for *Commerce* (1935) Ltd, Manek Mahal, 90, Veer Nariman Road, Bombay 400020; Pp 25; Price single copy Rs 1.50; Annual subscription Rs 15.

Environment and Economic Growth: S. Venu; Published by D.B. Mahatme for *Commerce* (1935), Ltd, Bombay 400020; Pp 30; Price single copy Rs 1.50; Annual subscription Rs 15.

Small Industry in Indian Economic Growth: A Case Study of Kerala: M.A. Oommen; Distributors: Research Publications in Social Sciences, 2/44 Ansari Road, Daryaganj, Delhi-6; Pp 193; Price Rs 20.

Mysore 1971-72 An Economic Review: Published by Bureau of Economics and Statistics, Bangalore; Pp 157.

Group Prejudices in India: Experiments in Learning Theory: T.R. Venkatasubrahmanyan, Shri Ram Centre for Industrial Relations and Human Resources, 5 Pusa Road, New Delhi, 110005; Pp 160; Price Rs 22.

Uncensored Russia: The Human Rights Movement in the Soviet Union: Edited by Peter Reddaway; National Academy, 9 Ansari Market, Delhi-6; Pp 438; Price Rs 7.

Impact of American Aid on Indian Economy: A.K. Singh; Vora and Co. Publishers Private Ltd, 3, Round Building, Kalbadevi Road, Bombay-2; Pp 175; Price Rs 16.

Two Decades of Development, the Indian Experiment: V.V. Bhat; Vora and Co. Publishers Pvt Ltd; Pp 111; Price Rs 15.

Law and Practice of Banking (Second Students' Ediion): S.R. Davar; Progressive Corporation Private Ltd, Davar's College Premises, Jehangir Wadia Building, 51 Mahatma Gandhi Road, Flora Fountain, Bombay-400001; Pp 736; Price Rs 18.

Jodhpur Management Journal: Vol 2 No. 1: Editor: Raj K. Agarwala; Published by Jodhpur Management Programme, Faculty of Commerce, University of Jodhpur; Pp 96; Price: Single copy Rs 10, Annual subscription Rs 15.

Industrial Fasteners Association of India Souvenir 1973: Published by Industrial Fasteners Association of India, India Exchange, Seventh Floor, Calcutta-1.

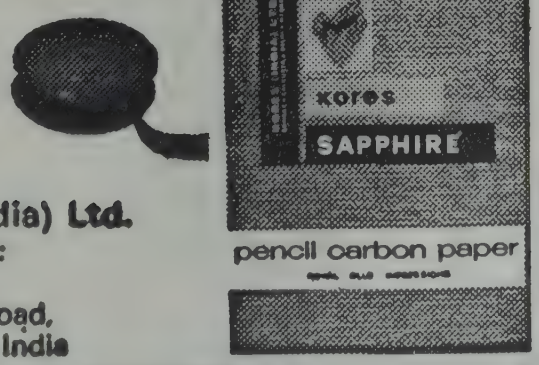
From Auto-Slums to Autonagar (A Case Study of the Genesis and Development of the Jawahar Autonagar, Vijayawada); K.J. Christopher and CH. Shankariah; Small Industry Extension Training Institute, Yousufguda, Hyderabad 500045; Pp. 75; Price Rs 7.50.

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TRADE WINDS

New Loans

THREE NEW loans, totalling Rs 500 crores, have been floated by the union government for mopping up institutional finance. The three loans are: (1) a 4.75 per cent loan to be issued at Rs 100 per cent and repayable at par on May 12, 1980; (2) a five per cent loan (second issue) to be issued at Rs 99.50 per cent repayable at par on June 1, 1984 and (3) a 5.75 per cent loan to be issued at Rs 100 per cent and repayable at par on May 12, 2003. Subscriptions for all the loans will be received from May 12 to May 14. Both days inclusive but may be closed earlier without notice as soon as the total subscription amounts to Rs 500 crores. The government reserves the right to retain subscription upto 10 per cent in excess of the notified amount. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum. The value of the investment in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from wealth tax up to Rs 150,000. Applications for the loans will be received at the offices of the Reserve Bank of India and the State Bank of India and its subsidiaries.

New Projects Cleared

The public investment board, a high level co-ordinated forum has cleared 26 projects involving a total investment of Rs 457 crores during the year 1972-73. The board which was constituted at the end of September last holds meetings every month to scrutinise investment proposals and forwards the cleared projects for cabinet approval. The 26 projects cleared by the board relate to steel, fertilisers chemicals, cement, copper, coal and zinc mining, engineering industry, petroleum, agriculture and broadcasting. Foreign exchange involved in these projects is estimated at Rs 93 crores. The board takes into account availability of foreign exchange or its prospective commitment in clearing investment proposals. The major proposals approved include modernisation and expansion of Sindri and Nangal fertilizer plants, expansion of Bokaro steel plant, capacity increase in output of Neyveli lignite and conversion of two boilers plants, at Tiruchi and new coal projects of the National Coal Development Corporation.

Crude from Iraq

This country has received a new offer from Iraq to supply 112 million tonnes of crude over a 12 year period from 1976. This long term commitment by Iraq — which is in addition to 1.95 million tonnes of crude contracted already for supply up to the end of 1975 — will almost wipe out India's crude deficit for the next 15 years. According to estimates by the Petroleum and Chemicals ministry, when Iraq, under this offer, starts supplying 10 million tonnes of crude annually in 1971, the country's deficit will be only about four or five million tonnes annually. The country's total crude requirements in 1978 is estimated at 43 million tonnes. The new offer, conveyed to India's ambassador in Iraq, will now have to be formalised by an agreement.

Raw Jute from Bangladesh

The union government decided to increase the value of import of raw jute from Bangladesh from Rs 750 lakhs to Rs 1,000 lakhs, under the Limited Payment Arrangement. A public notice to this effect has already been issued by the Chief Controller of Imports and Exports, ministry of Commerce. The present trade agreement with Bangladesh expires on June 27, 1973.

Sugar Take-Over Opposed

All but one member of the sugar inquiry commission have opposed take-over of the sugar industry. The majority have suggested that a national sugar authority be appointed to run the sick and closed mills and market the entire product. The sugar authority shall also enter the market for the bulk buying of gur and khandsari to save the consumer from speculators and regulate the prices. This proposal had been made by five members of the commission, including the chairman. The interim report which deals only with the issue of nationalisation, is receiving final touches and is expected of to be submitted to the government shortly.

The commission does not want the sick mills, once taken over, to be returned to the millowners after their health has been restored. The new organisation will keep a close watch on the working of all mills even if they are not sick to see that their performance is not deteriorating. A procedure of financial and technical audit will be evolved to keep a check on sugar mills. The commission has not taken any serious notice of the ISMA's scheme for the voluntary take-over of sugar mills. The five members who favoured the setting up of a national sugar authority are the commission chairman, Justice Bhargava, Dr V.S. Vyas, Mr S.L. Saxena, Mr A.C. Bose and Mr Bansi Dhar.

Export of Leather Footwear

Exports of leather footwear during April-November 1972 were estimated at Rs 5.30 crores. During 1971-72 India exported 7.36 million pairs of leather footwear to various countries. The total value realised was Rs 8.58 crores, The single largest buyer of footwear in 1971-72 was USSR with 10,87,266 pairs. Australia imported 5,58,905 pairs. The total export to west Europe during this period was 10,84,611 pairs. In 1970-71, 6.8 million pairs of leather footwear were exported. Exports of all categories of footwear have been canalised through the State Trading Corporation from November 14, 1972.

Sugar Production

The total production of sugar during the current season, beginning from October 1, 1972 to April 15, 1973, was 3.52 million tonnes; 603,000 tonnes more than 2.91 million tonnes produced during the corresponding period last year. Despatches of sugar during the year upto April 15, 1973, were 1.87 million tonnes as against 2.17 million tonnes during the corresponding period last year. The stocks of sugar with the factories at the close of April 15, 1973 were 2.24 million tonnes as against 2.15 million tonnes on the corresponding date last year. Seventyeight factories were reported to be in production on April 23, 1973 as against 33 factories on the same day last year.

Bangladesh Railway Delegation

A Railway delegation from Bangladesh led by Mr A. Samad, Secretary, Bangladesh ministry of Communications, arrived in New Delhi recently, in connection with the extension of Indian credit to Bangladesh government for supply of railway stores and execution of civil works for the rehabilita-

tion of the railway system in Bangladesh. The delegation discussed the restoration of Bhairab bridge over Meghna river and arrangements for interchange of railway wagons. In addition to Mr Samad, the other delegates were Member (Engineering), Member (Finance) and Chief Officer (Planning) of Bangladesh Railway Board. It was expected that in the course of this visit the delegation will sign the contract required under the credit agreement and ratify the fundamental and subsidiary rules of interchange.

After the liberation of Bangladesh in December, 1971, the Indian Railways co-operated with the Bangladesh authorities in reconstructing the shattered Railway system of Bangladesh. The Indian assistance included supply of track materials, fabricated bridge girders, steel sections, marine flotilla, signalling and telecommunication equipment and other railway stores, tools and plants. Certain technical personnel were also placed at the disposal of Bangladesh Railways at different levels.

Direct Taxes

The collection of direct taxes during the financial year 1972-73 showed a substantial increase over the figures for the previous year. The revenue from Income-tax and Corporation Tax was over Rs 147.91 crores higher than in the year before. The details aregiven in the table below.

Kerosene Imports from Russia

Indian Oil Corporation will import 550,000 tonnes of Kerosene from the Soviet Union during 1973. An agreement to this effect was signed in Bombay recently by Mr Kamaljit Singh, Managing Director of Indianoil's Marketing Division on behalf of the Corporation and Mr V. Lagounov and Mr V.G. Chekanov on behalf of "Sojuznefteexport", the Soviet Oil Export Organisation, The import will be against rupee payment, and the foreign exchange savings to the country on this account would be about Rs 17 crores.

Inter Governmental Rice Group

The cultivation of high-yielding varieties, coupled with the use of modern inputs such as fertilizers and pesticides, constituted the main plank of India's strategy for increasing the production of foodgrains. This was stated by the union minister for Agriculture, Mr Fakhruddin Ali Ahmed, while inaugurating the 17th Session of the Food and Agriculture Organisation's Inter-governmental Group on Rice in New Delhi recently. The session, which is being attended by about 60 delegates from various countries, reviewed current rice situation in the world, national and regional rice and long-term trends in rice policies affecting trade in rice development, including the high-yielding varieties programme.

The Agriculture minister added that India was the second largest producer and consumer of rice in the world, next to China. Important strides in raising production in the country had been made in recent years. But the view of the limited scope for bringing new areas under cultivation, the increase in production to meet the growing demands had to be attained mainly through increases in productivity per hectare and extension of multiple cropping, Mr Ahmed added. He expressed the hope that research and development efforts currently underway would bring significant increases in production in the coming years.

The group discussed special studies on rice trade policies and their impact on international trade, prepared by the FAO Secretariat, in respect of Burma, Australia, Japan, Thailand, the USA and the European Economic Community. It considered the follow-up action by the countries on the guidelines for promoting international trade in rice adopted by it at its 15th session. The revised model grading system of rice in international trade also came up for review.

(Rs crores)

	Income-tax and Corporation tax	Wealth tax	Gift Tax	Estate Duty
Upto 31-3-1973 (provisional)	1150.48	25.30	3.54	9.06
Upto 31-3-1973	1002.57	35.98	3.89	9.88
Increase	+147.91	+10.68	+0.35	+0.82

Rabi Crops Encouraging

Outturn of the rabi crops, taking the country as a whole, would be above average except in Orissa, Rajasthan, Gujarat, Maharashtra and interior Mysore north, where it would be below average. This has been stated by the directorate of Agricultural Meteorology, Poona, in their all-India tentative crop out-look as on April 1, 1973. According to this tentative outlook, pre-season rainfall over the whole country was generally normal except in Assam and Meghalaya, Nagaland and the neighbouring areas, Orissa, Rajasthan, Gujarat, Maharashtra and interior Mysore north, where it was deficient. During November-December, 1972, rainfall was generally poor in the whole country. It was very deficient in Assam and Meghalaya, Nagaland and neighbouring areas, Rajasthan, Konkan, Madhya Maharashtra and Marathwada. During January-March 1973, normal weather prevailed over the whole country. Rainfall was deficient. in March, 1973 in Arunachal Pradesh, Assam and Meghalaya, Nagaland and neighbouring areas, Jammu & Kashmir, and Kerala.

Minimum temperatures were generally normal over the whole country, Moderate to severe cold wave conditions prevailed during January, 1973 in Bihar Plateau, Rajasthan, west-Madhya Pradesh, Gujarat, Vidarbha and Madhya Maharashtra.

Quality Control of Fertilizers

A week-long first training course on Quality Control of Fertilizers was inaugurated at the Punjab Agricultural University Campus, Ludhiana, by Dr M.S. Randhawa, Vice-Chancellor of the University. The course, organised by the union ministry of Agriculture aims at training officials from various states in the latest developments of quality control of fertilizers and prevent the sale of adulterated and substandard fertilizers to consumers, particularly the farmers, as provided in the government of India Fertilizer (Control) Order 1957. This Control Order provides summary trials for violations. About 40 officers from all the states and union territories are attending this course. Outlining the measures for Fertilizer Quality Control, Commissioner Fertilizer Promotion in the union ministry of Agriculture, Dr S.R. Barooah stated that a sum of Rs 3.3 crores had been provided in the fifth five -year Plan for establishing 36 fertilizer control laboratories in the country.

Conversion of Rail Route

The prime minister, Mrs Indira Gandhi, inaugurated recently construction work on the conversion of the Barabanki-Samastipur trunk route of the North-Eastern Railway, from metre guage to broad gauge. The conversion of the 604-km long artrial high-density route will be carried out at an estimated cost of Rs 46.34 crores. The work is expected to be completed in about five years time, but the Samastipur-Muzzaffarpur portion of the

project will be completed by 1975-76, to cater to the requirements of the thermal power plant being built at Muzaffarpur.

Markets for Rural Areas

The rural marketing centres should emerge as growth centres with adequate facilities such as power, water supply and transport so that they could attract not only suitable agro industries but also serve as centres for the sale of various consumer durables and inputs to farmers. This was stated by minister of state for Agriculture, Mr A.P. Shinde, in his inaugural address at the National Seminar on Rural Marketing organised recently by the Institute of Marketing and Management. The minister added that at present there were 2,800 regulated markets which would increase to about 14,000. The ultimate goal was to provide a market within a radius of at least 10 miles of a village.

Revised Forms for Industrial Licences

Entrepreneurs, who require a licence under I (D &R) Act for the establishment of a 'new undertaking' are at present required to submit an application in Form 'D(I)' (where foreign collaboration, import of capital equipment for issue of capital is involved) or in Form D(II) (where no foreign collaboration/import of capital equipment or issue of capital is involved) appended to the Registration and Licensing of Industrial Undertakings Rules, 1952. Similarly, those registered industrial undertakings or undertakings in respect of which a licence or permission has been issued and who propose to effect substantial expansion or propose to manufacture a 'new article' have to submit their applications in Form 'E(I)' (in respect of cases requiring foreign collaboration, import of capital equipment or issue of capital) or in Form 'E (II)' (in cases where no foreign collaboration, import of capital equipment or issue of capital is involved).

The form of additional information was attached to the press note dated May 4, 1970. This form has now been revised so as to give the essential information required in the light of changes in Licensing Policy announced in the press note dated February 2, 1973, February 18, 1973. The revised form can be had from the ministry of Industrial Development.

In order to ensure expeditious disposal of applications, applications for industrial licences for new undertakings, substantial expansion and new articles are advised to furnish information on the points mentioned in the revised form in addition to the items mentioned in the respective application forms.

IFCI Extends Activity

The Industrial Finance Corporation of India (IFCI) established under the Industrial Finance Corporation Act, 1948 (15 of 1948) for the purpose of making medium and long term credits available to industrial concerns in this country, had been granting assistance only to the public limited companies or co-operative societies incorporated and registered in India and engaged or to be engaged in one or more of the following activities: (i) Manufacture of goods. (ii) Preservation or processing of goods. (iii) Shipping. (iv) Mining. (v) Hotel industry. (vi) Generation or distribution of electricity or any other form of power. With the passing of the Industrial Finance Corporation (Amendment) Act, 1972, (74 of 1972), which came into force from the December 24, 1972, the aforesaid provision has been modified—making 'any limited company,' instead of 'any public limited company', eligible for seeking financial assistance from IFCI. In other words, IFCI can now finance eligible projects set up by private limited companies also.

In this connection, it may be noted that in view of the recent amendments carried out to the State Financial Corporations Act, 1951, which came into force from the December 30, 1972, the state financial corporations are now authorised to grant total assistance aggregating Rs 15 lakhs to private limited companies and Rs 30 lakhs to public limited companies or registered co-operative societies. IFCI would, therefore, normally consider granting financial assistance to eligible concerns beyond the above mentioned limits of Rs 15 lakhs and Rs 30 lakhs, as the case may be.

Distribution of Cotton Yarn

The deputy minister for Commerce, Mr A. C. George, stated in the Lok Sabha recently that the Review Committee on distribution of cotton yarn has decided to appoint a high level implementation committee in each state, so that the state nominees and the mills should get together and activate the lifting and distribution of yarn. The chairman of such committee should be the Secretary of Industries Department of the state government. The deputy minister stated that the meeting of the Review Committee was held to consider the ways to remove all bottlenecks and to establish a dialogue between the state governments, textile industry and the trade. The meeting was attended by representives of the textile industry, in the spinning sector powerloom sector and handloom sector and officials of the central and state governments.

Closed Period for Capital Issues

The union government has decided, in consultation with the Reserve Bank of India, that the period between May 1 and May 15 (both days inclusive) shall be the closed period for 1973 in terms of the Capital Issues (Exemption) Order, 1969. During this period no offer of securities of a nominal value exceeding Rs 249 lakhs (exclusive of amounts to be subscribed by government and non-residents) shall be made or kept open by a public limited company.

Modernisation in Railways

The Railways are progressively introducing modern scientific gadgets like self-printing ticket machines at busy stations on suburban sections. Coin-operated platform ticket machines are also in service at busy terminal stations to reduce the service time to the passengers at the booking counters. So far a total of 174 self-printing ticket machines have been introduced on the various Railways. The Zone-wise break up of such machines is as follows: Southern Railways 6, Western Railway 59, Central Railway 69, Eastern Railway 34 and South Eastern Railways 6.

Railways have plans to progressively install more of such self-printing ticket machines in the future. At a few important stations, coin-operated machines for issue of platform tickets have been installed to aviod long queues at platform ticket windows.

Indian Airlines Expands Capacity

Indian Airlines has introduced a new schedule from May 1, 1973 providing an additional 1000 seats, convenient timings and direct and same day connections to various destinations. The increase in capacity has been made possible by increasing the annual utilisation of the jet and turbo-jet fleet. Some of the highlights of the schedule are : A mid-day daily Caravelle service will operate on the Delhi-Bombay-Delhi sector, in addition to the existing three direct services and two stopping jet services via Ahmedabad and Jaipur on this sector. Timings of other jet services have been changed slightly. The airlines will operate a new Boeing service on the Calcutta-Kathmandu - Calcutta sector thrice a week instead of the current F-27 Fokker service, four days a week. Indian Airlines will reintroduce the twice a week Trivandrum-Colombo HS 748 service and

Delhi-Srinagar and Delhi-Kulu seasonal services. In addition to the daily Boeing service between Calcutta and Dacca, Indian Airlines will operate an additional F-27 Fokker daily evening service from Calcutta to Dacca and back. Nagpur will be linked with Delhi and Hyderabad daily by a Caravelle service during the day. There will be an additional Viscount service between Delhi and Calutta on Saturday.

Names in the News

Mr K. B. Lall Principal Secretary to the government of India has been appointed Ambassador of India to Belgium and concurrently Ambassador of India to the Grand Duchy of Luxembourg, with residence in Brussels, in succession to **Mr B. R. Patel**. Mr Lall has also been concurrently accredited as Ambassador of India to the European Economic Community and the European Coal and Steel Community. He is expected to take up his assignment shortly. Mr Lall will function as Special Envoy for Economic Affairs in Western Europe to co-ordinate financial negotiations and promote trade development. He will be representing India at the GATT (from a date to be notified) and the UNCTAD and will endeavour to develop a new relationship appropriate to the second Development Decade in regard to the developed countries and India.

Mr A.N. Ray, a sitting judge of the Supreme Court was appointed on April 25 Chief Justice of India in place of Mr S.M. Sikri, who retired on April 25. Mr Ray's appointment was a break from the long-established convention of elevating the senior-most judge to the post. Mr Ray was junior to three judges of the court, namely, Mr Justice J.M. Shelat, Mr Justice K.S. Hegde and Mr Justice A.N. Grover. These three judges submitted their resignation.

Mr Keshub Mahindra, chairman of Union Carbide India Limited, announced in Delhi recently that **Mr B.V. Salenius** will be leaving India in early August to take over as Vice-Chairman, Union Carbide Eastern Inc. He will be establishing this office in Hong Kong. The directors have appointed **Mr E.A. Munoz** as managing director of the company with effect from August 1, 1973.

Since his arrival in India in 1967, Mr Munoz has been general manager of the company's agricultural products division and has been responsible for the development and setting up of manufacturing facilities for production of pesticides and formulations indigenously.

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Abridged Balance Sheet as at 31st December 1972

Corresponding figures for 1971	Capital and Liabilities	Rs. P.	Corresponding figures for 1971	Property and Assets	Rs P.
Rs			Rs		
88,66,600	1. Capital (Wholly owned by the Central Government)	2,00,00,000.00	7,70,96,138	1. Cash	10,06,17,173.29
1,27,98,570	2. Reserve Fund and other Reserves	28,99,313.53	10.62,83,372	2. Balances with other Banks	2,04,52,388.61
125,79,90,533	3. Deposits and other accounts	164,86,36,070.81	46,79,500	3. Money at call and Short Notice	2,92,88,301.25
5,78,92,238	4. Borrowings from other Banking Companies, Agents, etc.	5,51,32,510.41	35,02,45,499	4. Investments	45,39,34,494.45
2,93,35,910	5. Bills Payable	3,90,00,231.19	81,72,23,655	5. Advances	114,96,18,478.63
7,65,95,625	6. Bills for Collection being bills receivable as per contra	8,14,97,003.36	7,65,95,625	6. Bills receivable being bills for Collection as per Contra	8,14,97,003.36
3,87,71,102	7. Other Liabilities	4,70,84,423.71	7,46,33,604	7. Constituents, liabilities for Acceptances, Endorsements and other obligations per contra	9,23,81,260.11
7,46,33,604	8. Acceptances, Endorsements and other obligations per contra	9,23,81,260.11	98,97,062	8. (a) Premises	98,95,632.39
1,79,123	9. Profit and Loss	12,70,372.98	83,651	(b) Buildings under construction	5,30,374.45
			88,98,790	9. Safes, Furniture, Fixtures etc.	1,17,36,321.16
			3,14,18,427	10. Other Assets including Silver	3,79,49,758.40
			7,982	11. Non-Banking Assets acquired in satisfaction of claims	...
155,70,63,305		198,79,01,186.10	155,70,63,305		198,79,01,186.10

K. Venkatarama Ayyar
Secretary

G. Lakshminarayanan
Managing Director

R.M. Vellayan
M. Gopalakrishnan
P. Krishnaswamy
M. Seetharama Dos
C. Prabhakaran
M. A. Kamarudin
B Natarajan
M J Ambani

Directors

Madras
26th April 1973

Fraser and Ross
Suri & Co.

Chartered Accountants

COMPANY AFFAIRS

Century

CENTURY Spinning and Manufacturing Co. Ltd, has received a letter of intent for the setting up of a chemical pulp-cum-paper plant in the joint sector. The plant will have an annual capacity for manufacturing 30,000 tonnes of chemial pulp, 20,000 tonnes of dissolving grade pulp, 10,000 tonnes of speciality pulp and 30,000 tonnes of writing and printing paper. The letter of intent stipulates formation of a new company in the joint sector to implement the project. The company has submitted details for the same to the government. The directors feel that it will take some time before a mutually agreeable acceptable pattern can be evolved. Another mighty project the company has on hand is the joint venture textile mill in Indonesia. Initially the activities of the project will be confined to the establishment of a spinning unit consisting of about 14,000 spindles only. The company's participation will be in the form of equity capital to the tune of Rs 36 lakhs out of the total capital of Rs 80 lakhs. The contribution of the company to the capital will be in the shape of plant machinery and equipment from India.

The company has made good progress in the implementation of its cement project. But there has been delay in the supply of equipment for the main cement manufacturing unit by AVB because of power shortage in several parts of the country and non-delivery of heavy castings. Best efforts are however being made to complete the plant at the earliest but according to present indications the plant is not expected to go into production before early 1974.

J.K. Synthetics

J.K. Synthetics has announced a very liberal bonus issue in the ratio of two shares for every share held. The company has also proposed an equity dividend of 18 per cent for 1972 as against 27 per cent paid for the previous 18-month period ended December 1971. Gross profit during 1972 amounted to Rs 7.62 crores as against Rs 11.03 crores in preceding 18 month period. A sum of Rs 3.60 crores was provided for depreciation and development rebate reserve as against Rs 6.33 crores in the earlier year while taxation absorbed Rs 1.25 crores, Rs 0.30 crore less than in the preceding year. This leaves a lower net profit Rs 2.77 crores for 1972 as against Rs 3.15 crores in the earlier period. After other adjustments a sum of Rs 2.71 crores was transferred to general reserve and Rs 10 lakhs to capital redemption reserve as against Rs 2.29 crores and Rs 11.50 appropriated respectively in the previous year. Equity dividends will claim Rs 54 lakhs as compared to Rs 81 lakhs in the earlier year.

Blue Star

Blue Star has reported highly encouraging working results during the year ended December 31, 1972. Not only sales and profits have scaled new peaks during the year but equity dividend too has been raised from 12 per cent to 15 per cent. During the year under review income went up sharply by 37 per cent to Rs 13.23 crores from 9.68 crores in 1971 while the gross profit leaped from Rs 42.42 lakhs to Rs 70.15 lakhs, a jump of 65 per cent over 1971. Out of the gross profit the directors have allocated a sum of Rs 6.55 lakhs to depreciation reserve as against Rs 4.78 lakhs in 1971 while the amount set aside for taxation was enhanced to Rs 41.20 lakhs as from Rs 23.30 lakhs in the earlier year. The allotment to development rebate reserve was reduced from Rs 0.65 lakh to Rs 0.61 lakh. This leaves a substantial higher net profit of Rs 21.77 lakhs, Rs 8.07 lakhs more than in 1971. After other adjustments an amount of Rs 21.86 lakhs was transferrred to general reserve as compared to Rs 13.93 lakhs in 1971. This proposed equity dividend will claim Rs 10.61 lakhs as against Rs 8.49 lakhs in 1971 while the preference dividend will absorb Rs 0.74 lakh, the same as in the previous year.

South India Viscose

The directors of South India Viscose Ltd have stepped up the equity dividend to 20 per cent for 1972 from 16 per cent paid for 1971 and 12 per cent for 1970. The company's working during the year has resulted in a lower gross profit of Rs 4.39 crores as against Rs 4.38 crores for 1971. Out of the gross profit the directors have set apart a sum of Rs 1.54 crores to depreciation reserve as against Rs 1.59 crores in the earlier year while the appopriation to development rebate reserve was raised from Rs 90 lakhs to Rs 1.75 crores. Taxation claimed Rs 5 lakhs as compared to Rs 11.37 lakhs in the previous year. This leaves a net profit of Rs 1.05 crores as against Rs 1.88 crores in 1971. After making some adjustments the directors have transferred a sum of Rs 5 lakhs to gratuity reserve, Rs 25 lakhs to contingencies reserve and Rs 57.35 lakhs to general reserve. The proposed dividend will claim Rs 98 lakhs and will be paid out of the general reserve. The company's expansion programme aimed raising the capacity of the staple fibre unit from 10 tonnes to 30 tonnes a day is expected to be completed by November 1973. The company has also received letters of intent for doubling the capacity of pulp plant and for the setting up of a new polynosic staple fibre plant.

Kamani Engineering

Kamani Engineering Corporation Limited expects considerable expansion in its activities in future years in view of the priority accorded for power development schemes in the fifth Plan, step up in production of road rollers consequent upon the increase in demand and the commissioning of the rolling mill at Jaipur. The company is, of course, fully geared to undertake these expanded activities besides sustaining and enhancing at the same time its export efforts. It is significant to note that the company has bagged recently the 400 KV line between Lucknow and Sultanpur which is worth Rs 75 lakhs. This, incidentally, is the highest voltage to be instailed in the country, the line having a route length of about 150 kms. Further the company has under active consideration quite a good number of modernisation and deversification schemes. Moreover, as the company has acquired certain degree of competence and expertise to provide engineering and technical services in diverse fields, it is exploring the feasibility of rendering such services to the domestic as well as overseas parties. This is revealed in the Chairman, Mr R.R. Kamani's annual statement circulated to the shareholders of the company.

The chariman also referred to the serious handicaps to which production and export efforts are subjected to due to procedural delays. In the

matter of both export benefits and supply of raw materials, the real availability of raw materials and benefits has a very long time-cycle which according to the chairman reduces the real value of the benefits and increases the costs. As the benefits indicated in the export policies, therefore, are greatly eroded, the chairman made a strong plea to the government in streamlining the various procedures which would greatly help the cycle of raw material availability to production to actual exports. The chairman welcomed the government's decision on the introduction of the system of Buyer's credit and pleaded for its speedy implementation. The chairman also expressed great concern over the current acute shortage of power. As it has now been recognised that the most economical and effective way of transporting energy is by transmission of electrical energy, the chairman suggested to the government to give due consideration to this aspect while planning for power projects so that large thermal power plants are installed near the coal mines and the electrical energy so produced is transmitted through the network of transmission lines.

MICO

Motor Industries Co. Ltd, Bangalore, has received the sanction of the Controller of Capital Issues to issue 375,000 equity shares as bonus shares in the ratio of 1:1, and 95,588 equity shares as rights shares at a premium of Rs 75 per share. As sanction has to be obtained from the Reserve Bank of India for allotting bonus shares to non-residents, the Company is making an application in this regard. The dates of issue of the bonus and rights shares will be announced later.

Andhra Bank Ltd

Andhra Bank Limited has earned a net profit of Rs 16.11 lakhs for the year ended December 31, 1972 against Rs 12.21 lakhs in the previous year. The Reserve Fund and other Reserves received Rs 9.00 lakhs raising it to Rs 60.00 lakhs against a paid-up Capital of Rs 50.44 lakhs. The dividend has been stepped up to 10 per cent from 8 per cent. Deposits of the of the Bank rose to Rs 109.50 crores from Rs 79.91 crores representing an increase of 37 per cent. Advances increased to Rs 68.51 crores from Rs 52.48 crores recording a rise of 30.5 per cent. Investments were higher at Rs 38.19 crores as against (Rs 30.44 crores) in the preceding year. Advances to the priority Sectors such as agriculture, small-Scale industries and exports were Rs 19.87 crores which was 29 per cent of the total advances spread over more than 81,000 accounts. During the year under review 40 branches were opened out of which 35 are located in Andhra Pradesh. The Bank had a net work of 278 branches as on December 31, 1972.

Bata India

The name of Bata Shoe Company Ltd was changed to Bata India Ltd with effect from April 23, 1973.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by five paise each to Rs 11.10 and Rs 10.80 per unit respectively with effect from April 24.

News and Notes

(Expansion and diversification)

Bayer (India) has taken on hand the implementation of production of chloroquine phosphate from a more basic stage, based on locally available raw materials. The demand for chloroquine phosphate has increased considerably in the last few years and shows indications of a steady increase over the next few years. According to the Chairman. Mr. B.M. Ghia, the company should be able to meet a sizeable portion of the government demand for the national malaria erradication programme.

The company's negotiations with the union government for grant of a industrial licence for substantial expansion of rubber chemicals and intermediates thereof and technical pesticides have reached a final stage. The management expects that the company will be able to start the implementation of these major expansion projects by the middle of this year.

Negotiations over the conditions of the 'letter of intent' for the manufacture of TDI (Toluene Di-isocyanate), an essential raw material for polyurethane foaming units, are still in progress. It is hoped that some settlement with the government will be reached in the course of this year.

New Issues

HES, manufacturers of alarm clocks, is embarking on a massive expansion programme. The expansion scheme envisages raising of production of alarm clocks from three lakhs to five lakh pieces per annum also for taking up the manufacture of transistorised battery-powered electric clocks and travelling alarm clocks in collaboration with a firm in Czechoslovakia. To raise part of the resources required for financing this project the company is entering the capital market on May 21 with a public issue of Rs 37 lakhs, all equity shares of Rs 10 each. The expansion programme is estimated to cost Rs 65 lakhs. Besides the proposed issue the cost of the expansion will be met by a term loan of Rs 20 lakhs and internal cash accruals of Rs 8 lakhs. During 1972 the ompany had a turnover of Rs 1.15 crores and a pre-tax profit of Rs 14.71 lakhs. The company declared an equity dividend of 14 per cent for 1972 as against 12 per cent paid for 1971. Barring unforeseen circumstances the directors hope that the profit for the current year ending December 1973 will be appreciably higher than that for 1972 and the company will be in a position to pay a dividend of not less than 10 per cent on the enlarged capital for 1973. The new equity shares to be issued to the public rank for a 'pro rata' dividend for 1973.

Superior Air Products, New Delhi is setting up a project at Faridabad for the manufacture of industrial gases. The company has secured an industrial licence for manufacturing 15 lakh cubic metres of oxygen, five lakh cubic metres of argon, five lakh cubic metres of liquid nitrogen, 10 lakh cubic metres of dissolved accetylene gas and 100 tonnes of nitrous oxide per annum. The plant is being designed in such way that with minimum additional costs production capacity can be easily enhanced. Commercial production is expected to commence by April next. To finance this project the company will be in the capital market some time in June with a public issue of

WANTED

International Office in New Delhi requires experienced Research Officer with first class post-graduate degree in Economics with specialisation in Labour or Developmental Economics. Good English and flair for writing essential. Should be prepared to go abroad for short assignments. Starting salary according to merit. Apply with published works to Advertiser, C/o Eastern Economist, UCO. Bank Bldg., Parliament Street, New Delhi-1

Rs 22 lakhs divided into 2,20,000 an equity shares of Rs 10 each. The capital outlay on the project is placed at Rs 95 lakhs and it will be met by the share capital of Rs 35 lakhs, long-term borrowings of Rs 31.50 lakhs and deferred payments of Rs 28.50 lakhs.

Meena Steels, promoted by Mr B.K. Somani and G.K. Somani, proposes to set up an electric arc furnace with an estimated annual capacity of 18,400 tonnes. The plant will be located at Unnao, a backward district in UP. Intially the company will be manufacturing only mild steel ingots and the production of alloy steels would be taken up in the second phase. The company has made considerable progress in the implementation of this project. Factory buildings are under construction and 70 per cent of the equipment for the furnace has already reached the site. To meet a part of the cost of this project, the company will soon be in the capital market with a public issue of 270,000 equity shares of Rs 10 each. Arrangements to have the issue underwritten by financial institutions are in progress.

Orient Abrasives Ltd will be manufacturing white alumina oxide abrasive grains for the first time in the country. At present there is only one unit producing brown aluminia oxide abrasive grains but not the white one which is a more sophisticated product and is being imported. In the fifth Plan the target for the production of alumina oxide abrasive grains is fixed at 16,000 tonnes and at present the licensed installed capacity is only 7,000 tonnes per annum. Hence the company is likely to have a virtual monopoly of the market in this type of sophisticated abrasives. The project is estimated to cost Rs 2.30 crores. It will be financed through the capital of the company of Rs 90 lakhs while loans will be raised to the tune of Rs 1.40 crores. Out of the capital of Rs 90 lakhs, the equity capital is likely to be Rs 70 lakhs while the preference capital will be of the order of Rs 20 lakhs. The promoters—the family of Mr R.L. Rajgarhia—and their friends will subscribe to equity shares worth Rs 28 to Rs 30 lakhs and the balance equity capital of Rs 40 lakhs will be thrown to the public for subscription. The entire issue will be underwritten and being a highly remunerative investment it may command a high premium.

Jupiter Breweries Ltd is setting up a Rs 119.35 lakh brewery near Calcutta with a capacity to produce 50,000 hectolitres of beer per annum. The entire plant will be supplied by De Smet (India) Private Ltd on a turn-key basis. Technical know-how for the project will be based on the process and know-how of the world famous steinecker of West Germany. The company will also use latest technique of pressure fermentation developed by Dr Wellhoener's Pressure fermentation Institute of West Germany. Provision has also been made for doubling the capacity with the suppliers of the plant. To raise resources for this project the company will be approaching the capital market on July 2 offering for public subscription equity shares worth Rs 39 lakhs, all in equity shares of Rs 10 each. The company hopes to start production by March 1974 and pay a maiden dividend of 10 to 12 per cent for the first year of its operation. The dividend will be stepped up substantially in subsequent years.

New Registrations

During the financial year 1972-73, 190 companies with a total authorised capital of over Rs 28.6 crores were registered in Gujarat against 187 companies with a total authorised capital of Rs 21.28 crores in the previous year. Of the new companies, 13 were public companies with an authorised capital of Rs 16.4 crores and 177 were private companies with an authorised capital of Rs 12.2 crores. The public companies included five government companies. For the first time, one private company was registered in the union territory of Dadra and Nagar Haveli. Ahmedabad district, with a total number of 88 companies, comprising eight public and 80 private, stood first in the state followed by Baroda district which had 30 new companies to its credit. Only one company each was registered in Junagadh, Mehsana Sabarkantha and Surendranagar districts, while not a single company was registered in Dangs, Kutch and Banaskantha districts. The industrial classification show that the maximum number (77) of the new companies were engaged in processing and manufacring of metal and chemical products, followed by 40 companies engaged in commercial activities. During the year under review, 23 companies were struck off the register under Section 560 of the Companies Act, 13 were finally dissolved and nine went into liquidation.

Capital and Bonus Issues

Concent has been accorded to nineteen companies to raise capital amounting to over Rs 16.46 crores. Following are the details.

Voltamp Transformers Private Limited, Bavla (Ahmeda-

GOVERNMENT OF INDIA

4¾ PER CENT LOAN 1980 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 12TH OF MAY 1980.

5 PER CENT LOAN 1984 (SECOND ISSUE) TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYBLE AT PAR ON 1ST OF JUNE 1984.

5¾ PER CENT LOAN 2003 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 12TH OF MAY 2003.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs 500 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of the 4 per cent. Loan 1973 which will be accepted for conversion at par. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest on the securities of 4 per cent Loan 1973 will be paid at the rate of 4 per cent per annum upto and inclusive of 11th May 1973 at the time of issue of the new securities.

3. Interest on 4¾ per cent. Loan 1980 and 5¾ per cent. Loan 2003 will be paid half yearly on 12th May and 12th November. In the case of 5 per cent. Loan 1984 (Second Issue) the interest for the period 12th to 31st May 1973 will be paid on 1st June 1973 and thereafter interest will be paid half yearly on 1st December and 1st June.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

5. Subscription lists will open on the 12th of May 1973 and close on 14th of May 1973 or earlier without notice.

Applications for the loans will be received at:—

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi, and Patna;

(b) branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at Hyderabad; and

(c) branches of the State Bank of India at other places in India.

For full particulars please apply to any of these offices or branches.

bad), has been accorded consent, valid for 3 months to capitalise Rs 3,64,800 out of their general reserve and issue fully paid equity shares to Rs 100 each as bonus shares in the ratio of 6 bonus shares for every 10 shares held.

Muzaffarpur Hosiery Industries and Agencies Private Limited Calcutta, has been accorded consent, valid for 3 months, for issue of bonus shares worth Rs 2 lakhs.

The West Coast Paper Mills Limited Bombay, has been accorded consent, valid for 3 months, to capitalise Rs 60 lakhs out of their general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Taylor Instrument Company (India) Limited, Faridabad, has been accorded consent, valid for 3 months, to capitalise Rs 15 lakhs out of their general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every equity share held.

The Canara Wire and Wire Products Limited, Kanara (Mysore State), has been granted consent, valid for 3 months, for issue of bonus shares worth Rs 3.50 lakhs.

The Hindustan Sugar Mills Limited Bombay, has been granted consent, valid for 3 months for the issue of bonus shares worth Rs 84 lakhs only.

Hindustan Safety Glass Works Private Limited, Calcutta, has been accorded consent, valid for 3 months, to capitalise Rs 15,94,500 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 3 bonus shares for every 7 equity shares held.

The Ahmedabad New Cotton Mills Company Limited, Ahmedabad (Gujarat), has been granted consent, valid for three months, for issue of bonus shares worth Rs 10 lakhs.

Kurla Engineering Works Private Limited, Bombay, has been accorded consent, valid for 3 months, to capitalise Rs 3.50 lakhs out of profit and loss account and issue fully paid equity shares of Rs 100 each, as bonus shares in the ratio of 7 bonus shares for every 2 equity shares held.

The Balanoor Tea and Rubber Company Limited, Madras, has been granted consent, valid for 3 months, for the issue of bonus shares worth Rs 3,29,700.

Patidar Ginning and Pressing Company Limited, Surat, has been accorded consent, valid for 3 months, to capitalise Rs 1,48,850 out of their reserve fund and issue fully paid 'A' and 'B' equity shares in the ratio of one bonus share for every 'A' and 'B' equity share held.

The East India Hotels Limited, Calcutta, has been given an acknowledgement to their statement of proposals, valid for a period of 12 months, for issue of equity shares worth Rs 3.75 crores and redeemable cumulative preference shares of Rs 80 lakhs. The proceeds are to be utilised for reducing the deposit liabilities of the company as per recent directives of the Reserve Bank of India.

Bilaspur Spinning Mills and Industries Limited, Calcutta, has been given an acknowledgement to their statement of proposals, valid for 12 months, for issue of Rs 40 lakhs worth of capital comprising Rs 35 lakhs equity and Rs 5 lakhs preference to meet a part of the cost of expansion of their spinning mills at Bilaspur.

India Engineering and Construction Company Limited, Kanpur, has communicated to government of its proposal to issue capital under Capital Issues (Exemption) Order, 1969, of Rs 35 lakhs (in supersession of earlier proposals for Rs 30.70 lakhs acknowledged on 22-5-72). The issue is meant for setting up an automatic of tube mills for manufacture of steel tubular poles for transmission of electricity.

Piramal Steel Limited, Bombay, has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 35 lakhs (including Rs 70 already subscribed) divided into 2.80 lakhs equity shares of Rs 10 each and Rs 7,000 in 9.5 per cent cumulative redeemable preference shares of Rs 100 each for cash at par, out of which equity shares of Rs 16.80 lakhs and preference shares of Rs 7.00 lakhs will be offered to the public for subscription by a prospectus for putting up a steel inaot casting plant (mini steel plant) at Tarapur.

Industrial Credit and Investment Corporation of India Limited, has been accorded consent, valid for 12 months, to issue debentures of the value of Rs 8 crores to be offered to the public at 99.5 per cent for cash. The proceeds of the issue will be utilised for augmenting the rupee resources of the Corporation to meet the demands of industries for financial assistance.

Saraswati Steel and Alloys Ltd., Delhi, has communicated to government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 40.75 lakhs (including Rs 15 lakhs already subscribed privately) divided into 4,07,500 equity shares of Rs 10 each, for cash at par, out of which shares worth Rs 24.75 lakhs will be offered to the public by a prospectus for financing the installation of a 10-ton electric arc melting furnace for the manufacture of steel ingots from iron and steel scrap.

Welcast Steels Limited, Bangalore, has been given an acknowledgement of their statement of proposals for issue of Rs 32 lakhs worth of equity shares to be utilised for setting up a factory at Bangalore for manufacture of cast alloy steel grinding media.

The Milton Cycle Industries Limited, Sonepat, has been granted consent, valid for 3 months, for issue of bonus shares for Rs 6 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Sivananda Mills	December 31, 1972	20.0	10.0
Victoria Mills	December 31, 1972	18.0	15.0
Dalmia Cement (Bharat) Ltd.	December 31, 1972	15.0	12.5
Rohit Mills	December 31, 1972	11.0	9.0
Navsari Cotton and Silk Mills	December 31, 1972	10.0	5.0
Rukmini Mills	March 31, 1972	15.0	12.0
Suessen Textile Bearings	September 30, 1972	14.0	12.0
Karur Vysya Bank	December 31, 1972	15.0	12.0
Andhra Bank Ltd	December 31, 1972	10.0	8.0
Same Dividend			
New Bank of India	December 31, 1972	20.0*	20.0
Elecon Engineering Co.	December 31, 1972	10.0	10.0
Camphor and Allied Products	December 31, 1972	15.0	15.0
Raza Buland Sugar	October 31, 1972	Nil	Nil
Tropical Plantations	December 31, 1972	8.0	8.0

*On enlarged capital.

RECORDS AND STATISTICS

Parliament is omnipotent

ON APRIL 24, 1973, the Supreme Court reversed its 1967 Golaknath ruling and upheld Parliament's right to amend the Constitution, including the fundamental rights, but not "the basic structure or framework" of thc Constitution. This was the majority view of the court as summed up by nine of the judges who heard the fundamental rights case. The court thus, in the words of Mr Justice S. N. Dwivedi, one of the 13 judges of the Constitution Bench, shifted back to the original position in the Gopalan case of 1950 that Parliament is "Omnipotent".

The courts stand was summed up by the youngest judge of the bench Justice Y. V. Chandrachud: "Let us..... give to the Parliament the freedom, within the framework of Constitution, to ensure that the blessings of liberty will be shared by all." He declared that "if the State fails to create conditions in which the fundamental freedoms could be enjoyed by all, the freedom of few will be at the mercy of the many and then all freedom will vanish." Mr Justice Chandrachud sounded a note of caution to Parliament: "If despite the large powers now conceded to Parliament, the social objectives are going to be a dust-bin of sentiment then woe betide those in whom the country has placed such massive faith".

The Constitution Bench which heard the present case included two members of the majority in the 11 member Constitution Bench of 1967—Mr S. M. Sikri and Mr J.M. Shelat.

Chief Justice Sikri ruled that Parliament can amend but not abrogate the fundamental rights and upheld the 24th constitutional amendment along with his 12 colleagues on the bench .

Mr Justice Shelat in the judgement he wrote with Mr Justice A. N. Grover said the Golaknath ruling had now become "academic" and that "the 24th Amendment is valid because in his view it does not add to the powers originally conferred by the Constitution on Parliament."

The 24th, the 25th and 29th Constitution Amendments were challenged before the court by Swami Kesavananda Bharati, a Kerala religious head. The majority view, according to the sum-up, was that the 25th Amendment was partly valid. The portions held valid included the provision that Parliament can by law fix an "amount"—rather than "compensation"—to be paid for property acquired or requisitioned for a public purpose. The court also held as valid the new Art. 31(c) to the extent that no law made in furtherance of two of the directive principles of the Constitution could be declared void on the ground they were inconsistent with or abrogated or abridged the fundamental right to equality before law, to freedom of speech, and to property.

The directive principles which thus override the three fundamental rights are distribution of the ownership and control of the material resources of the community to subserve the common good, and the prevention of the concentration of wealth and means of production to the common detriment.

The section of the 25th Amendment held invalid by the court would have put out of judicial review the question whether laws declared by Parliament as furthering the two directive principles did in fact promote the objective.

The court also held the 29th Amendment which seeks to protect two Kerala land reforms of 1969 and 1971 as valid but said the two enactments should be further considered by the Constitution bench.

According to the Chief Justice, the question to be determined is whether the two enactments nearly abridge or totally abrogate the fundamental right to property.

Also to be determined by the Constitution Bench in the light of the ruling was the validity of the 26th Amendment which abolished princely purses and privileges.

The 13 judges handed down their decisions in 11 separate judgements. The Chief Justice, and Justices A.N. Ray, P. Jagmohan Reddy, D.G. Palekar, H.R. Khanna, K.K. Mathew, M.H. Beg, S.N. Dwivedi and Y.V. Chandrachud handed down individual rulings, whereas Justice J.M. Shelat gave a joint ruling with Justice A.N. Grover and Justice K.S. Hegde with Justice A.K. Mukherjea.

Mr Justice Chandrachud said in his judgement that "adventitious circumstances" were responsible for this unprecedented action of the bench. (This was for the first time in the history of the court that so many judgments had been handed down in a single case).

The judges could not have possibly read out all the 1,240 typed foolscap pages they had dictated. So they read out excerpts and conclusions.

When the judges took more time than they had agreed

Supreme Court's Final Order

The Supreme Court's final order in the fundamental rights case did not set out any views as to what the court had decided in the case.

Nine judges summed up the "majority view" of the Court thus:

1. The Golakanth case judgement was overruled.

2. Article 368 did not enable Parliament to alter the basic structure or framework of the Constitution.

3. The Constitution 24th Amendment Act, 1971, was valid.

4. Section 2 (A) and 2 (B) of the Constitution 25th Amendment Act, 1971 was valid.

5. The first part of Section 3 of the Constitution 25th Amendment Act, 1971, was valid. The second part, namely, "and no law containing a declaration that it is for giving effect to such policy shall be called in question in any court on the ground that it does not give effect to such policy" was invalid.

6. The Constitution 29th Amendment Act, 1971, was valid.

The signatories to the above—what was called the "view of the majority" — were Mr Justice S.M. Sikri, Mr Justice J.M. Shelat, Mr Justice K.S. Hegde, Mr Justice A.N. Grover, Mr Justice B. Jaganmohan Reddy, Mr Justice G. Palekar, Mr Justice H.R. Khanna, Mr Justice A.K. Mukherjea and Mr Justice Y.V. Chandrachud.

Four of the 13 judges, Mr Justice A.N. Ray, Mr Justice K.K. Mathew, Mr Justice M.H. Beg and Mr Justice S.N. Dwivedi, were not signatories to the above.

However, all the 13 judges signed the "Order of the Court" which merely stated:

"The Constitution Bench will determine the validity of the Constitution 26th Amendment Act. 1971 in accordance with law.

The cases are remitted to the Constitution Bench for disposal in accordance with law. There will be no order as to costs incurred up to this stage".

upon the Chief Justice sent up to them reminder slips.

The fundamental rights case was heard by the largest ever bench of 13 judges and the 69 days of arguments made the hearing the longest ever in the history of the Supreme Court.

The counsel for petitioners, Mr N.A. Palkhivala, argued for 33 days, the counsel for Kerala government, Mr H.M. Seervai, for 22 days, the Attorney General Mr Niren De, for 10 days, the Solicitor General, Mr Lal Narain Sinha, for a day-and-a-half and counsel for other interveners, another day and a half. In all 93 lawyers were retained by the various parties. The case was admitted on August 11 last year, the hearing began on Oetober 31 and the arguments concluded on March 23.

A study of the judgment by Law ministry officials showed that the verdict had vindicated the government's stand to the extent of 90 per cent in regard to the 24th and 25th Amendments to the Constitution,

Not only had the court upheld the amendment to the Constitution restoring to Parliament its power to amend Fundamental Rights - a power taken away in the six to five Golaknath case judgment, but had held as valid the 25th Amendment. Only a small part of this amendment seeking to place certain laws enacted under 31 (C) beyond the purview of courts had been struck down.

The 25th Amendment replaced the word "comdensation" by "amount" in Article 31 (20) so that any acquisition of property for public purpose would not be subject to challenge in a court merely on the ground that the money paid in lieu thereof was not adequate or was not paid in cash.

This reconstruction of Article 31(2) was undertaken in the light of the Supreme Court's judgement that the word "compensation" itself meant "market value".

The 25th Amendment had inserted a new article 31(C) for enactment of laws fulfilling two important Directive Principles — 30(B) and 39(C). The former enjoined that the ownership and control of material resources in the country should be so distributed as to serve the common good. The second enjoined that the operation of the economic system should not result in concentration of wealth and means of production. If laws were enacted by Parliament or state legislatures they should not be open to legal challenge on the ground of violation of Art. 14 (equality before law), Art. 19 (right to freedom) and Art 31 (right to property).

The 25th Amendment further provided that if any law under 31(C) made a declaration that it was for the purpose of fulfilling either of the two abovementioned Directive Principles, it shall not be questioned in a court. It is this portion of the 25th Amendment which has been struck down.

It is pointed out that even at the consideration stage of the measure, the government had tabled an amendement providing for judicial review on the nexus between the law and the two Directive Principles but it was not moved in deference to the wishes of the Congress parliamentary party.

The scheme of Art. 31(C) which was an innovation thought of by Mr Gokhale alongwith two other lawyer-ministers — Mr S.S. Ray and Mr Mohan Kumaramangalam — to enable anti-monopolistic measures has thus been upheld, according to these circles.

Given below are excerpts from the judgements of the Chief Justice Mr S.M. Sikri, Mr Justice J.M. Shelat, Mr Justice A.N. Grover and Mr Justice A.N. Ray. It may be noted that Mr Justice A.N. Ray has been appointed Chief Justice of India after Mr S.M. Sikri relinquished his charge on April 25, 1973.

Chief Justice S.M. Sikri's Judgement

The Chief Justice, Mr S.M. Sikri, held in the fundamental rights case that the expression "amendment of this Constitution" did not enable Parliament to abrogate or take away fundamental rights or completely change the fundamental features of the Constitution.

In his 217 pages judgement, the Chief Justice said: "Article 368 does not enable Parliament in its constituent capacity to delegate its function of amending the Constitution to another legislature or to itself in its ordinary legislative capacity."

Accordingly the Chief Justice declared Section 3 of the Constitution (25 Amendment) Act 1971 as void as it sought to delegate power to the legislature to amend the Constitution. He however held the Constitution (24th Amendment) Act, 1971 valid.

Referring to the Golaknath case the Chief Justice said that the Golaknath case declared that a Constitutional amendment would be bad if it infringed Article 13 (2) as this applied not only to ordinary legislation, but also to an amendment to the Constitution.

He said: "The Golaknath case did not decide whether Article 13 (2) can be amended under Article 368 or determine the exact meaning of the expression 'amendment of this Constitution' in Article 368." He further said: "Section 2 of the Constitution (25th Amendment) Act 1971 as interpreted by me, is valid."

Mr Sikri observed: "The Constitution (29th Amendment) Act 1971 is ineffective to protect the impugned acts if they abrogate or take away fundamental rights. The Constitution Bench will decide whether the impugned acts take away fundamental rights or only abridge them and in the latter case whether they effect reasonable abridgement in public interest."

The Chief Justice ruled that the Constitution Bench would determine the validity of the Constitution (26th Amendment) Act 1971, in accordance with this judgement and the law.

"The cases are remitted to the Constitution Bench to be decided in accordance with this judgement and the law," he further added.

While descussing the arguments in his judgement on Article 31 (C) the Chief Justice observed; "Fundamental rights remain as part of the Constitution and on the face of them they guarantee to every citizen these fundamental rights. But as soon as the State legislature under Article 31 (C) makes a law and the law abrogates or takes away these constitutional rights, these fundamental rights cease to have any effect. The amendment is then made not by Parliament as the extent of the amendment is not known till the State legislates."

"It is when the State legislates that the extent of the abrogation or abridgement of the fundamental rights becomes clear. To all intents and purposes it seems to me that it is State legislation that effects an amendment of the Constitution. If it be assumed that Article 31 (C) does not enable the States to amend the Constitution then Article 31 (C) would be ineffective because the law which in effect abridges or takes away fundamental rights would have been passed not in the form required by Article 368 i.e. by two-thirds majority of Parliament, but by another body which is not recognised in Article 368 and would be void on that ground," the judgement added.

The Chief Justice said: "It seems to me that in effect Article 31 (C) enables States to adopt any policy they like

and abrogate Articles 14, 19 and 31 of the Constitution at will. It will be recalled that Article 19 deals not only with the right to property, but guarantees various rights — freedom of speech and expression-right to form association or unions-right to move freely throughout the territory of India-right to practise any profession or to carry on any occupation, trade or business.

"I am unable to appreciate the reason for giving such powers to the State legislature to abrogate the above freedoms. In effect, Parliament is enabling State legislatures to declare that a citizen shall not be free—he will have no freedom of speech to criticise the policy of the State—he shall not assemble to protest against the policy—he shall be confined to a town or a district and shall not move outside his State—a resident of another State shall not enter the State which is legislating—he shall not if a lawyer, defend people who have violated the law."

The Chief Justice said that Article 31 (C) could enable legislatures to apply one law to political opponents of the ruling party and leave members of the party outside the purview of the law.

"I have already held that Parliament cannot under Article 368 abrogate fundamental rights. Parliament equally cannot enable the legislatures to abrogate them. This provision thus enables legislatures to abrogate fundamental rights and therefore must be declared unconstitutional", he observed.

The Chief Justice said, "It could be noted that Article 368 of this Constitution itself provides that amendment may be initiated only by the introduction of a bill for the purpose i.e. in either House of Parliament. In other words, Article 368 does not contemplate any other mode of amendment by Parliament."

While holding valid Section 2 of the 25th Amendment Act, the Chief Justice said: "The substance of the fundamental right to property, under-Article 31, consists of three things—one the property shall be acquired by or under a valid law. Secondly, it shall be acquired for a public purpose; and thirdly, the person whose property has been acquired shall be given an amount in lieu thereof, which as I have already said, is not arbitrary, illusory or shocking to the judicial conscience or the conscience of mankind."

He said: "I have already held that Parliament has no power under Article 368 to abrogate the fundamental rights, but can amend or regulate or adjust them in its exercise of amending powers without destroying them. Applying this to the fundamental right of property Parliament cannot empower legislatures to fix an arbitrary amount or illusory amount or an amount that virtually amounts to confiscation."

Jndgement by Justice J. M. Shelat and Justice A.N. Grover

The 24th Amendment Act, which empowers Parliament to amend any provision of the Constitution, was held valid by Mr Justice J.M. Shelat and Mr Justice A.N. Grover but in their view the power was not so wide as to include the power to abrogate or take away the fundamental freedoms.

"Though the power to amend cannot be narrowly construed and extends to all the Articles; it is not unlimited so as to include the power to abrogate or change the identity of the Constitution or its basic features. Even if the amending power includes the power to amend Article 13(2) a question not decided in Golaknath case, the power is not so wide as to include the power to abrogate or take away the fundamental freedoms", they said in their joint judgement.

The 24th Amendment the two judges held, did no more than to clarify in express language that which was implicit in the unamended Article 368 and that it does not or cannot add to the power originally conferred thereunder".

The decision in the Golaknath case, in their view, had become academic, for even if it be assumed that in the majority judgement the word 'law' in Article 13(2), covered constitutional amendments was not correct, the result on the questions, wider than those raised in Golaknath case, now raised before us would be just the same."

Dealing with Article 31 relating to compensation, the two judges held that Clause 2 of the article, as substituted by Section 2 of the 25th Amendment, "does not abrogate any

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2.	DGS & D/ CPM/5439 91/46-dt. 12-4-73	Custom House. Madras	Watch spares.	29-5-73	30-7-73
3.	DGS & D/ CPM/5439 88/18. dt. 4-1-73	Tuticorin Harbour Project, Tuticorin-4	Gantry Cranes	30-5-1973	30-7-1973

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basic element of the Constitution nor does it denude it of its identity"

This was because the fixation or determination of amount under that article had to be based on some norms or principles which must be relevant for the purpose of arriving at the amount payable in respect of the property acquired or reqnistioned. The amount need not be the market value but it should have a reasonable relationship with the value of such property and that it should neither be illusory nor fixed arbirarily, they said.

The examination of all these matters was open to judicial review though the courts were debarred by the Act from going into the question of adequacy of the amount, they said.

"As regards Clause 2(B) inserted in Article 31, which makes Article 19(1)(F) inapplicable, there is no reason to suppose that for determination of the amount on the principles laid down in the law any such procedure will be provided which will be unreasonable or pposed to the rules of natural justice"

Article 19(1)(F) relates to the right to freedom to acquire hold and dispose of property.

On the above view Section 2 of the 25th Amendment was valid, they said. The validity of Section 3 of the 25th Amendment which introduced Article 31(C) in the Constitution cannot be sustained in their view because the said Article suffers from two vices.

The first is that it enables abrogation of the basic elements of the Constitution in as much as the fundamental rights contained in Articles 14. 19 and 31 can be completely taken away.

Secondly, the power of amendment contained in Article 368 is of a special nature which has been exclusively conferred on Parliament and can be exercised only in the manner laid down in that article. The same could not be delegated to any other legislatures in the country.

"Section 3 therefore, must be declared to be unconstitutional and invalid," they said.

The two judges held the 29th Amendment valid.

However, the question whether the acts included in the Ninth Schedule by that amendment or any provision of those acts abrogates any of the basic elements of the constitutional structure or denudes them of their identity would have to be examined when the validity of those acts came up for consideration, they said.

The question of validity of the 26th Amendment, the two Judges said, would be decided by the Constitution Bench in the light of the above judgement.

In the opinion of the two judges the meaning of the words "amendment of this Constitution" as used in Article 368 must be such which accords with the true intention of the Constitution makers as ascertainable from the historical background, the preamble, the entire scheme of the Constitution, its structure and framework and the intrinsic evidence in various Articles including 368.

"It is neither possible to give it a narrow meaning nor can as such wide meaning be given which can enable the amending body to change substantially or entirely the structure and identity of the Constitution.

Discussing at length the question of 'inherent and implied limitations to the amending power of Parliament under Article 368 the two Judges observed that the power of judicial review was of paramount importance in a federal Constitution. In fact "the heart and core of a democracy lies in the judicial process."

"Judicial review is undertaken by courts not out of any desire to tilt at legislative authority in a crusader's spirit but in discharge of a duty plainly laid upon them by the constitution."

Government had contended that "to let the court have judicial review over constitutional amendments would mean involving the court in political questions."

To this the two Judges quoted Lord Porter's observation: "the problem to be solved will often be not so much legal as political social or economic, yet it must be solved by a court of law."

In their view there was ample evidence in the Constitution itself to indicate that it created a system of checks and balances by reason of which power was so distributed that none of the three organs could become "so predominant as to disable the others from exercising and discharging powers and functions entrusted to them."

The two judges did not accept the arguments that "the nation cannot grow and that the objectives set out in the preamble cannot be achieved unless the amending power has the ambit and the width of the power of a Constituent Assembly itself or the people themselves."

The arguments, they said, appeared to be based on grounds which did not have a solid basis. The two Judges agreed with the arguments advanced by Government that a citizen cannot have any dignity if he is economically or socially backward. "No one cnn dispute such a statement but the scheme underlying the Constitution is to bring about economic and social changes without taking away the dignity of the individual."

The two Judges said "the following can be regarded as the basic elements: (1) The supremacy of the Constitution, (2) Republican and democratic form of government and sovereignty of the country (3) Secular and federal structure of the Constitution (4) Demarcation of power between the legislature, the executive and the judiciary, (5) The dignity of the individual secured by the various freedoms and basic rights in Part 3 and the mandate to build a welfare State contained in Part 4 and (6). The unity and the integrity of the nation.

Mr Justice A.N. Ray held that the 25th Amendment was valid and the adequacy of the amount fixed or the principles specified could not be a subject matter of judicial review.

In his 237 page judgement he said that Article 31 (C) did not delegate or confer any power on the state legislature to amend the Constitution. It merely removed the restrictions of Part 3 from any legislation giving effect to the Directive Principles of State Policy under Article 39 (B) and (C) "The power of Parliament and of State Legislatures to legislate on the class of legislation covered by Article 31 (C) is rendered immune from Articles 14, 19 and 31."

He said that the majority view in the Golaknath Case was wrong. "There are no express limitations to the power of amendment. There is no implied and inherent limitations on the power of amendment. Neither the preamble nor Article 13 (2) is at all a limitation on the power of amendment. The power to amend is wide and unlimited. The power to amend means the power to add, alter or repeal any provision of the Constitution."

He said that Parliament, in exercise of constituent power, could amend any provision of the Constitution. "Under Article 368 the power to amend can also be increased. The 24th Amendment is valid.

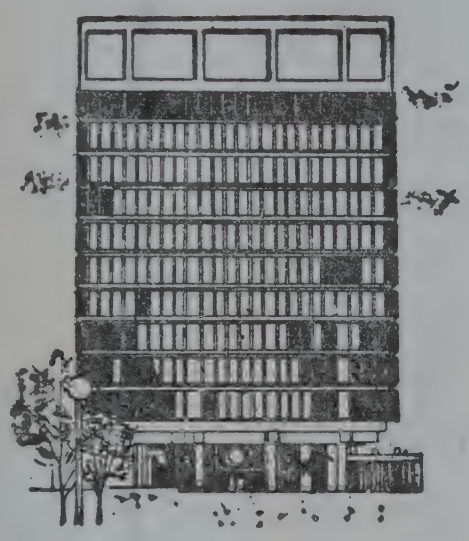
"The Attorney General and Mr Seervai emphasised that an amendment would leave an "organic mechanism" providing the Constitution organisation and system for the state. If the Constitution can not have a vital growth its needs must wither. That is why it was stressed on behalf of the respondents that orderly and peaceful changes in a constitutional manner would absorb all amendments to all provisions of the Constitution which in the end would be an amendment of this Constitution," he added.

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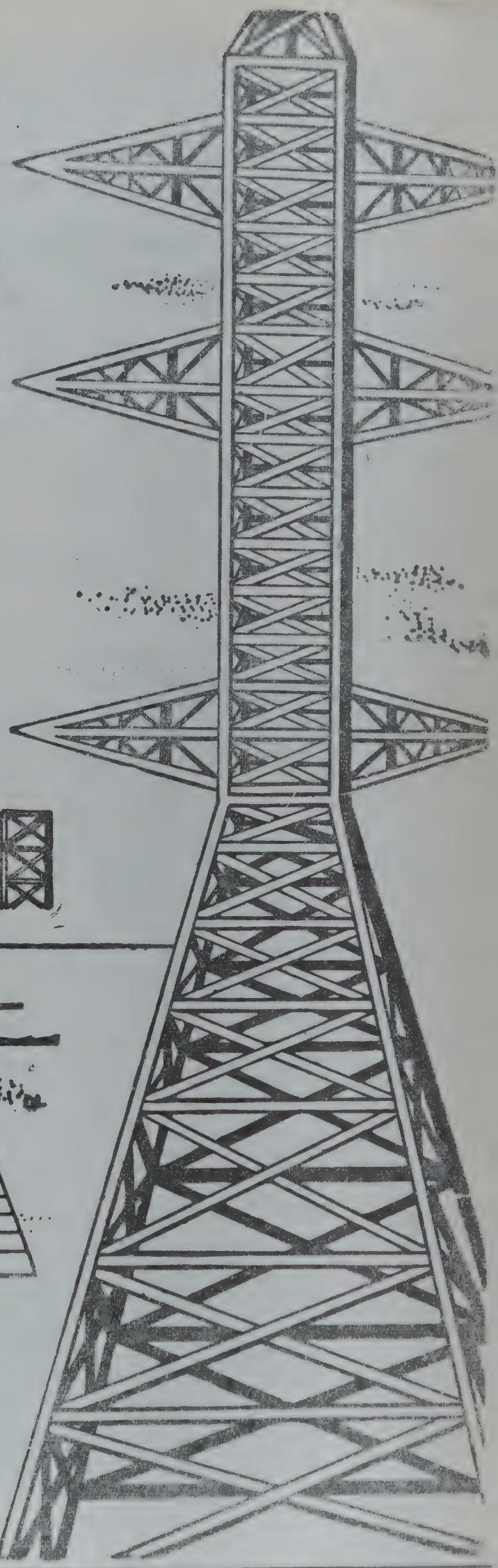
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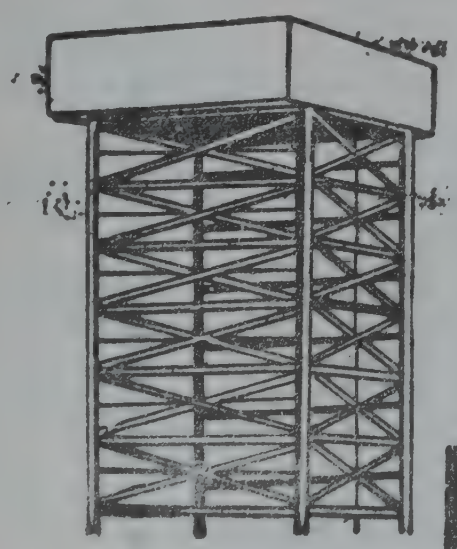
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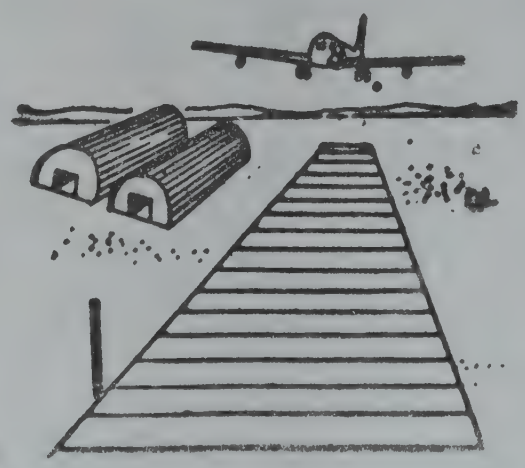
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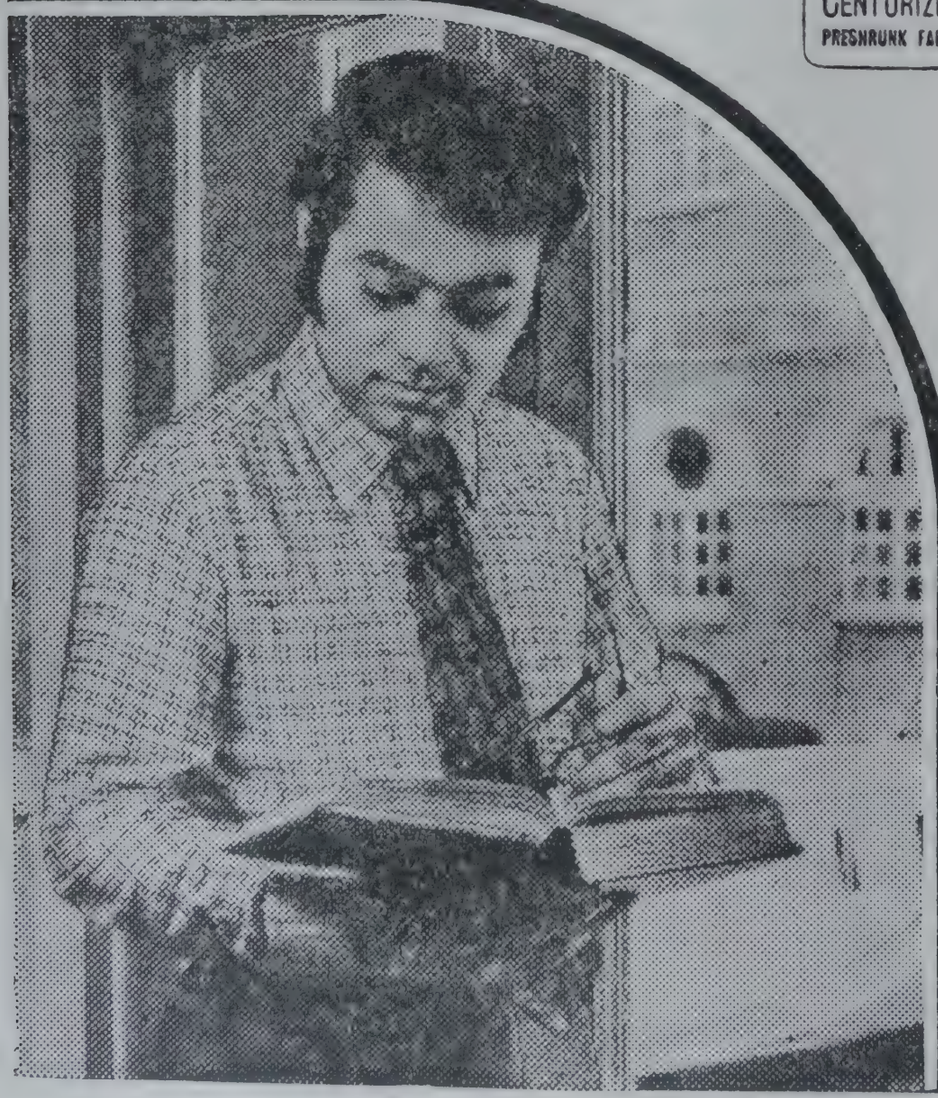
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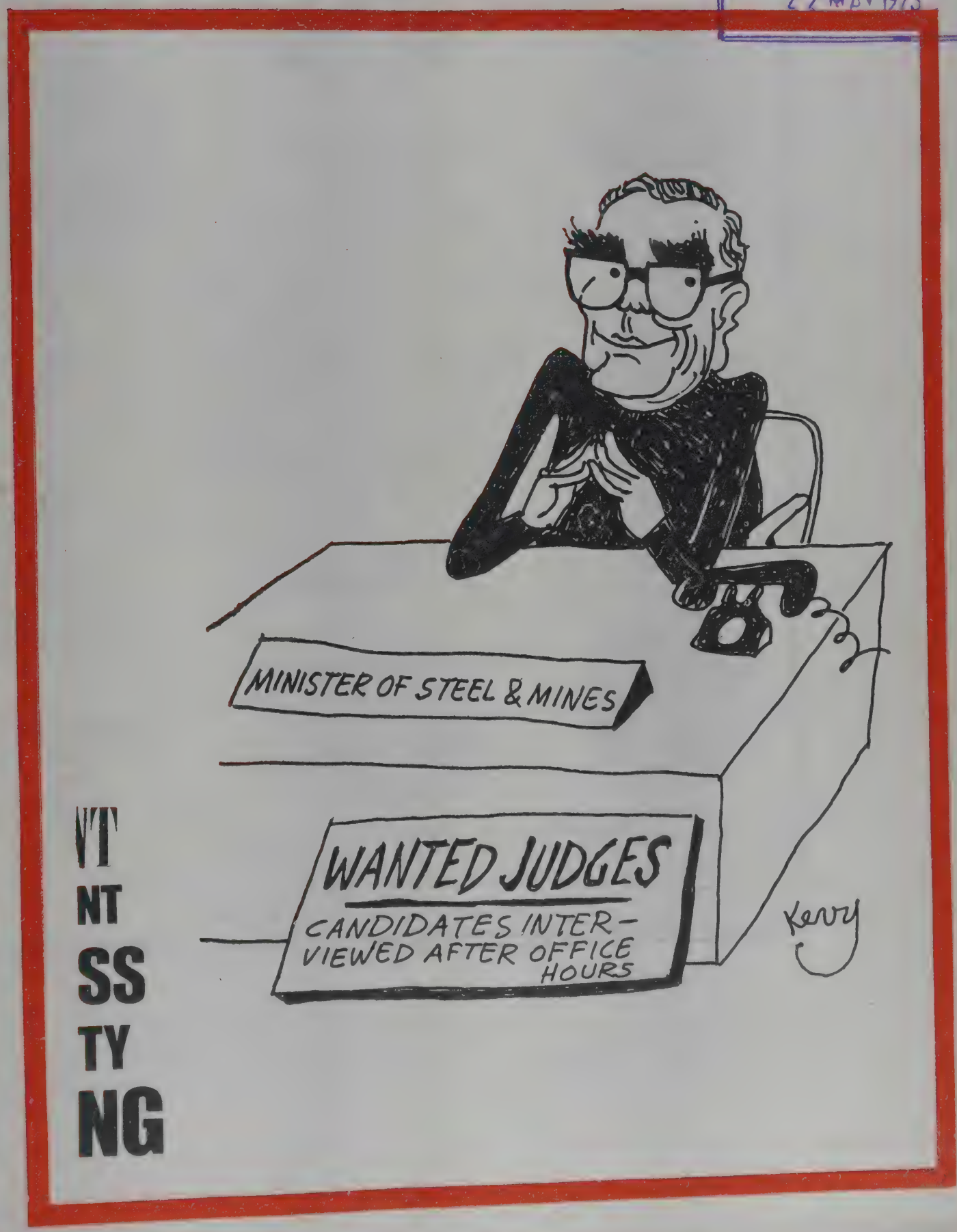
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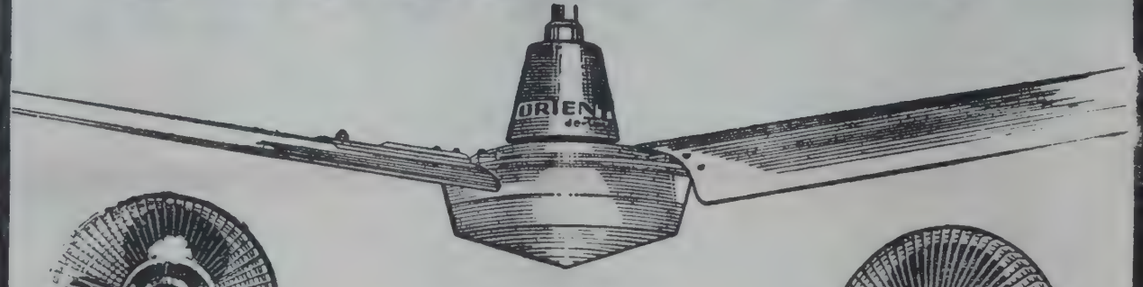
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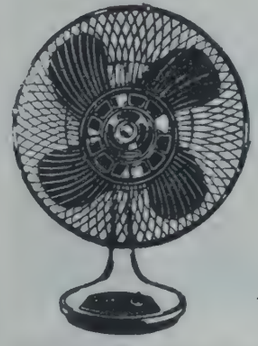
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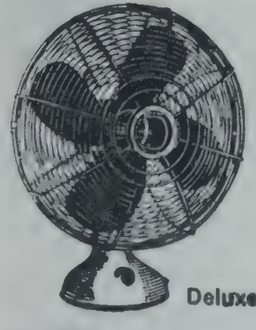


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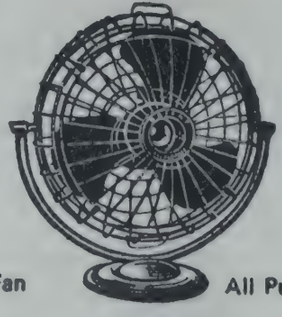


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Towards an unsupreme court?

IN ITS leading article on May 2, *The Hindustan Times* commented rather harshly on what it described as "the intemperate and injudicious statement issued by Mr K.S. Hegde on Tuesday on his supersession". In its view "Mr Hegde's statement suggests that there was a man who harboured not one but several grudges and who allowed his emotions to get the better of his judicial temper." So upset indeed was *The Hindustan Times* by what it regarded as the failure of Mr Hedge on this occasion to come up to the standards which it expected of a man who aspired to be the Chief Justice of India that it gave vent to a feeling that "perhaps it is just as well that this particular judge was passed over."

Had *The Hindustan Times* but waited for a day, it might perhaps have taken a more balanced view of Mr Hegde's statement on his resignation or his other observations at the press conference he held on May 1. For, within that very short time-span, an abundance of evidence was forthcoming that Mr Hegde had grievances rather than grudges and that those grievances were not only legitimate but honourable. The editorial in *The Hindustan Times* alleged that Mr Hegde's statement was full of innuendo. As a matter of fact, what was remarkable about that statement was that it was so largely free of innuendo. Far from insinuating anything against anybody, Mr Hegde made specific charges against specific persons.

This was precisely why, on the day following Mr Hegde's statement, when a discussion was raised in the Lok Sabha on the resignations of the superseded judges, Mr Mohan Kumaramangalam, the minister for Steel and Mines, took it upon himself to be the definitive spokesman for the treasury benches, leaving it to the minister of Law to perform the formal chores of replying to the debate. The manner of his intervention, as also its matter, however, only served to add weight to Mr Hegde's assertions regarding the improper manner in which the appointment of the new chief justice was manoeuvred and manipulated and substantiate Mr Hegde's strictures on the respective roles of Mr Kumaramangalam and Mr Gokhale in this affair. Mr Kumaramangalam, in an unguarded moment, employed an inopportune phrase while speaking in the Lok Sabha. He taunted Mr Hegde with displaying chagrin at being 'cheated' out of the post of chief justice. 'Cheated', undoubtedly, is the operative word. The devil's advocate, it appears, has tripped over the forked tongue of the devil himself.

Mr Madhu Limaye has bitterly complained against the role of the President in this affair. The country is by now resigned, if not reconciled, to the President's office not functioning as the conscience-keeper of the national polity. It is significant that the prime minister took with her Mr Gokhale merely when she went to Rashtrapati Bhavan to get Mr Giri's nod for the nomination of the new chief justice. The highly sophisticated services of Mr Mohan Kumaramangalam were apparently not needed on this occasion since it was probably thought that the President would not be a difficult man to persuade.

As for the prime minister's conduct, the less said the better. Speaking in Kanpur on May 1, she stated that the government had merely accepted the advice of the Law Commission that seniority should not be the sole criterion for the appointment of the chief justice. Within twenty-four hours, her political mentor in the cabinet, Mr Kumaramangalam, showed that he himself disdained such subterfuge. He declared in the Lok Sabha in so many words that the government wanted to have in the Supreme Court such judges as it could do business with. In the light of this frank avowal, the contention in the editorial of *The Hindustan Times* (to which a reference was made earlier) that the Constitution does not require that the chief justice should be consulted regarding the appointment of a successor to him becomes wildly irrelevant. If the true purpose of the government is to choose the best man available in terms of seniority as well as the other considerations suggested by the Law Commission, the government—constitutional stipulation or no constitutional stipulation—cannot possibly avoid consulting the outgoing chief justice since he is obviously the person most qualified to express an opinion in the matter. It is because Mrs Gandhi's administration is out to reconstitute the Supreme Court in purely political terms that it has had the issue settled in the Political Affairs committee of the cabinet.

The smart lawyer that he is, Mr Kumaramangalam took the name of the late President Roosevelt many times during his speech in the Lok Sabha, but he most conspicuously omitted any mention of President Nixon or his maladroit dealings with the Supreme Court in the United States. But Mrs Gandhi's own style of government is more like Mr Nixon's than

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Mr Roosevelt's. Indeed, such of us as have been at all observing her closely have been repeatedly struck by the similarities in their characters, temperaments, morals and manners. Unfortunately, there is no effectively functioning democracy in this country as there is in the United States. This is why Mr Nixon, now caught in the flood of Watergate, has painfully discovered for himself that he can go thus far and no farther. In our own country, where a politically adolescent electorate is being continually brainwashed by cynical slogans, which are disowned the moment they have served their purposes, the prime minister presumably labours under no such constraints. The present constitution of the Federal Republic of Germany has placed beyond the reach of the government of the day certain principles and institutions of personal or political freedom because of the German people's sad recollection of the rape of the Weimar constitution. Unfortunately, it is not often that a country learns from other countries' experiences. Clio, the Muse, has always been a greedy goddess. Still we may perhaps pray that she may not insist on exacting too high a price from this land of many sorrows, for it would be a national tragedy if the Supreme Court were to come unstuck as the unsupreme court.

Paper and its problems

THE TASK force for the paper industry set up by the Planning Commission to forecast future demand for paper and paper products has advocated urgent "advance action" for this industry because of its long gestation period. The chief problem facing it being the shortage of raw materials, the task force has rightly recommended that adequate attention should be paid to it while planning the expansion of existing units or deciding about the location of new ones. Neglect of this important factor in the past has now resulted in greatly inconveniencing some mills as raw materials for them have to be collected from far off places resulting in increase in cost and uncertainty in the production schedule.

And for sustained supply of woods as raw materials, man-made forests have a distinct advantage over natural forests. For planned development of forestry, the task force has suggested division of the country into 10 regions according to topography, soil and climate. In this connection, the report of the National Commission on Agriculture on "Production Forestry—Man-made Forest" has great relevance. The commission has emphasised "an industry-oriented programme of developing forestry". The paper industry has also urged the government to allow it to get involved in this national venture. The plea of the paper mills for long-term leases of forests has however evoked no positive response from the states so far which, incidentally, have control over forests and charge royalty rates for forest produce. Though bagasse has very often been recommended as a pulping material, it has failed to emerge as an important raw material for paper industry because of failure to find a suitable substitute fuel for sugar mills. Bamboo also is steadily losing its importance as a raw material for this industry because of reduced acreage spread all over the country and inaccessible location of forests in Assam, Tripura and Arunachal Pradesh. The choice obviously is in favour of man-made forests and the future plans for expansion of the paper industry depend to a large extent on the success attained in cultivating them.

That the paper industry has made steady progress since Independence is undeniable. From 15 mills with a total capacity of 127,000 tonnes in 1947-48, the industry has grown to 59 units with a capacity of 924,000 tonnes. The output of paper and paper boards in 1972 at 813,338 tonnes was a little below the fourth Plan target of 850,000 tonnes and failed to meet market demand in full; that is why shortages were noticed in selected varieties of paper.

The demand for different varieties of paper from 1973-74 to 1988-89 forecast by the task force of the Planning Commission is set out in the table below. It will be seen that printing paper is expected to retain its supremacy and its demand is expected to be multiplied almost three times from 340,000 tonnes in 1973-74 to 900,000 tonnes in 1988-89. The demand for writing paper is anticipated to grow at a much lower pace than of kraft paper or paper board. What is interesting is that during the past 26 years, the output (as well as demand) for paper and paper products has multiplied eight times while during the next 15 years, it is likely to be multiplied almost three times from 900,000 tonnes in 1973-74 to 2.6 million tonnes in 1978-79.

During the fifth Plan period, the demand for paper and paper products is expected to rise by about 50 per cent from 900,000 tonnes in 1973-74 to 1.33 million tonnes in 1978-79. This will be possible only if the industry is able to mobilise massive resources. According to the estimates of the Planning Commission's task force, the total investment needed for this purpose will be around Rs 672.5 crores out of which the foreign exchange component would be nearly Rs 189.0 crores.

Will the industry be able to mobilise resources of this order for achieving the goal set before it by the task force? During the past two years, i.e. 1970-71 and 1971-72, the large-sized paper mills have surely improved their working results. According to a study made by *Economic Times*, 22 large paper mills increased their gross profits as a percentage of capital employed from 12.9 in 1970-71 to 13.7 in 1971-72. There are indications that the mills improved their working operations in 1972-73 also because of increased prices which the mills were able to charge and the total supply of paper and paper products being less than demand. In fact, since the decon-

Demand for Paper and Paper Products

1973-74—1988-89

(In '000 tonnes)

	1973-74	1978-79	1983-84	1988-89
Printing paper	340	495	680	900
Writing paper	170	250	340	450
Industrial papers:				
Kraft	160	250	350	530
Others	75	100	150	220
Paper board	155	235	340	500
Total (paper and paper boards)	900	1,330	1,860	2,600
Newsprint	250	350	500	700
Straw and mill boards	65	70	80	90
Pulp (dissolving grade)	150	205	275	350

trol of 1968, the industry has been improving its working operations which factor can be instrumental in assisting it in raising the required volume of resources. The past history of this industry has clearly demonstrated a close relationship between fresh investments and paper prices. Even the official financial institutions hesitate to offer assistance to this industry when under price control it is not able to show a reasonable return on capital employed.

At the 78th annual general meeting of Indian Paper Makers' Association held recently at Calcutta, its chairman, Mr H.P. Dhanukar, cited some relevant figures to demonstrate the high cost of setting up new paper plants. While a few years ago, the establishment of a 100 tonnes per day plant cost about Rs 18 crores, it has now risen to Rs 30 crores. On the basis of debt-equity ratio of 2:1, the interest and depreciation charges worked out to be Rs 1400 per tonne as against the price of Rs 2,200 per tonnes of printing and writing paper. In these circumstances, an increase in the prices of paper is inevitable. The mills have in recent years been increasing the production of special varieties of paper which fetch higher prices in the market than those of popular varieties.

The task force is of the view that modernisation and installation of new equipment would help the industry in raising its average capacity utilisation up to 90 per cent. In 1970, when the capacity of the industry was 768,000 tonnes, the utilisation ratio was as high as 98.9 per cent. In 1971, when total capacity rose to 882,000 tonnes, the utilisation ratio dropped to 87.7 per cent. Last year, capacity increased further to 924,000 tonnes and utilisation ratio improved marginally to 88.0 per cent. The task force's estimate of capacity utilisation at 90 per cent seems to be a little on the higher side. While the shortage of paper and the relatively high price that it fetched in the market were sufficient stimulants to increased production in 1971 and 1972 the utilisation ratio did not touch even 90 per cent. If the capacity of the industry is increased in the manner suggested by the task force, there is a strong possibility that capacity utilisation would fluctuate between 80 and 90 per cent due to various constraints such as the paucity of raw materials, power crisis and the non-availability of machinery and equipment of high quality.

The policy of increasing import substitution and self-reliance adopted by the government has made heavy demands on indigenous suppliers of paper-making machinery. While imported machinery is cheaper as well as reliable in relation to indigenous machinery, the mills have no option but to go in for costly indigenous machinery with long delivery schedules and inadequate performance guarantees. A high level machinery committee set up by the government in this regard has so far failed to resolve these problems. It is difficult not to agree with Mr H.P. Dhanukar when he says that "dependence on indigenous equipment can only be worthwhile if the paper industry is assured of quality, timely delivery and reasonable price."

Gleam in copper

AT LONG last, the Khetri project of Hindustan Copper Limited will be yielding some output this year. Although the smelting and refining facilities here will take approximately another nine months to be put up, the concentrator plant of this project has been commissioned recently. Till the smelter and the refining unit are completed, the concentrates from Khetri are proposed to be smelted and refined at the Ghatsila works of Indian Copper Corporation, which was nationalised last year.

The production of copper expected from the Khetri project during the current financial year is 8,000 tonnes. This will raise the total domestic production of this important non-ferrous metal this year to about 20,000 tonnes—a marked improvement over the last year's output of 12,596 tonnes. Before that, our copper production had remained practically stagnant, for nearly a decade, around 9,000 tonnes per annum. This year's output of 20,000 tonnes would mean that approximately 30 per cent of our current requirements of copper would be met from indigenous sources.

The production of copper should register a further substantial improvement in the next four years. The total smelting and refining capacity in the country—which was augmented to nearly 26,000 tonnes last year by bringing again into operation the old reverbatory furnace at Ghatsila—will go to up to 57,000 tonnes with completion of the smelting and refining facilities at Khetri. The full utilisation of the capacity at Khetri should be achieved by the end of 1977 ; by that time, the mining of copper ore from the captive deposits of this project would have been raised to the targeted level of 10,000 tonnes per day. Currently, this production is of the order of 3,000 tonnes a day. It is proposed to be raised to 4,000 tonnes a day next year. By the end of the fifth Plan period, the domestic output of copper, thus, should go up to about 57,000 tonnes.

While this should mark a substantial advance on the copper front, an output of 57,000 tonnes would still meet only about 45 per cent of our requirements in 1978-79. The drain on our foreign exchange resources on account of imports of copper, therefore, would continue unabted. This warrants that much more concerted efforts will have to be made to expand copper production in the country when sizeable deposits have already been established at various places in the states of Bihar, Madhya Pradesh, Andhra Pradesh and Rajasthan. Some copper concentrates are also available from Sikkim.

The slow progresss in the exploitation of our copper deposits in the past has been due primarily to the government's mismanagement in the industrial sphere and the import of ideological considerations into policy without caring for their impact on development. The Khetri project, it may be recalled, was conceived nearly 30 years ago. A private concern—Jaipur Mining Corporation—had even taken out a prospecting licence from the then Jaipur state in 1945. After preliminary surveys, the concern secured a mining licence in 1948. The necessary detailed surveys were completed by it early in the 1950s. Even technical collaboration had been arranged from the world renowned Anaconda Copper Corporation of Canada. Thereafter, progress was stalled by lack of action on the part of the government on two requests of the corporation : (i) linking of Khetri mines with the railway system in the state ; and (ii) grant of a slightly higher price for the corporation's output than the c.i.f. cost of imported copper, through a system of pooling price as was being done in the case of steel. The latter request had been made by the corporation in view of the high cost of production in the initial stages.

This dilly-dallying on the part of the government apparently was the result of the efforts of the then minister for Mines, Mr K. D. Malaviya, to associate the government with the project. In fact, such an offer was made which was readily accepted by the corporation. The offer envisaged majority participation by both the central government and the government of Rajasthan in the equity of the venture. Later on, the state government

pleaded that it had no funds to invest in industrial undertakings. The corporation then suggested that the share of the state government should be divided equally between the other two parties—the union government and the Jaipure Mining Corporation. The proposal, however, was turned down for reasons best known to the government. The project was later reserved for the public sector.

In spite of the wild promises made by Mr Malaviya that copper would be produced at Khetri by 1960-61, the government did not take interest in pushing the project through till the early 1960s. Even the interim technical and financial collaboration for the project was finalised only in June, 1965, with a French consortium. The firming up of this agreement and the securing of permission from Messrs Outokumpuroy of Finland for the use of their flash smelting process took a further considerable time.

To make up for lost time, however, the government decided to raise the capacity of the project from the original programme of about 10,000 tonnes, first to 21,000 tonnes and later on to the present capacity of 31,000 tonnes. Had the smaller capacity project been implemented expeditiously as a joint sector concern, production of copper at Khetri would have started over a decade ago. The project could then have been conveniently expanded in phases. By this method, the envisaged capacity of 31,000 tonnes could have been brought into operation by now.

In view of the fact that we may not be able to meet from indigenous sources more than 45 per cent of one requirement of copper in 1978-79, efforts at substituting copper by aluminium need to be continued with vigour. The supply position of aluminium will be eased considerably in the near future. Currently, we have approximately 180,000 tonnes aluminium-manufacturing capacity in operation. Another 15,000 tonnes capacity has been built up at Renukoot, but it is lying idle for want of power supply. The capacity of Indian Aluminium Company's Belgaum smelter is proposed to be raised by 20,000 tonnes by March/April next year. The Madras Aluminium Company would have augmented its capacity by 11,000 tonnes by the end of the current financial year or soon thereafter The Aluminium Corporation of India is setting up a new smelter in Orissa for making 30,000 tonnes primary metal. This capacity should be available in about two years. Hindustan Aluminium is expanding its capacity by another 25,000 tonnes. This capacity will materialise by the end of December this year.

Besides these expansion programmes of the four private sector manufacturers, the public sector is implementing two schemes —at Korba and Ratnagiri. The alumina plant of the 100.000 tonnes metal capacity Korba project was commissioned recently. Smelting facilities here are expected to be put up in stages by the middle of 1976. The Ratnagiri project (50,000 tonnes metal capacity) should follow soon thereafter. The country, thus, will be having nearly 430,000 tonnes aluminium making capacity when the above schemes are implemented. The Indian Aluminium Company has plans to expand its Belgaum smelter further by 40,000 tonnes. If this expansion is also granted, self-sufficiency in aluminium all through the fifth Plan period is a distinct possibility. Our requirements of aluminium in 1978-79 are estimated around 500,000 tonnes. The easing of the supply position of aluminium from domestic sources will however depend a great deal on how expeditiously the power supply tangle, particularly in respect of Hindustan Aluminium, is sorted out. Already some 15,000 tonnes of capacity in this plant is lying idle because of a dispute over power tariff, resulting in the withholding of supplies by the UP State Electricity Board.

The Khetri project too is facing the problem of high power tariff. Although it is a metallurgical project, it is being charged for power at as high a rate as 16 paise per unit. This is bound to affect its viability significantly. The profitability of this project has already been eroded a great deal by the increase in investment following a rise in equipment and other costs. Its break-even point is stated to be not less than 90 per cent capacity utilization. The government, therefore, should immediately look into the question of power supply rates for the different types of industries. Power-intensive industries ought to be supplied electricity at concessional rates as is the case elsewhere in the world.

Instant jobs

MR MOHAN Dharia, the union minister of state for Planning, said in Calcutta on April 22 that money would not be a problem in implementing the half-a-million jobs programme during the current financial year. He revealed that West Bengal would be spending Rs 26 crores during 1973-74 in carrying out the various schemes for creating employment. During his recent tour of the other states also, Mr Dharia had assured the governments concerned that the Planning Commission and the government of India would provide them with adequate resources to finance their employment projects.

The Planning Commission has drawn up certain guidelines to be followed by the state governments in formulating schemes for the educated unemployed. Each state has been asked to plan for not less than a fifth of the total number of educated job-seekers on the live register. "The objective must be clearly understood", says the Commission; and it points out that the intention is not to create "any type of job" and that it should be "productive or leading to the creation of durable assets". The Commission has also suggested that large-scale increase in white-collar workers has to be avoided, that the maximum involvement of institutional finance should be ensured, and that budget support will have to be the minimum. But how far will the state governments observe these guidelines?

The Planning Commission has circulated among the states and the union territories the details of all the employment schemes drawn up by all of them so that they may benefit from the ideas and experiences of one another. But a perusal of these schemes shows that few state governments have given sufficient thought to the problem of creating productive employment.

The Planning Commission seems to be particularly impressed by what it calls the "Punjab model" which it wants other states to emulate. This scheme proposes the employment of engineering degree and diploma holders by small and medium-scale industrialists on the basis of a 50 per cent subsidy from the government, subject to a ceiling of Rs 200 per month for degree holders and Rs 125 for diploma holders. This subsidy will be given for one year. The employer will have the freedom to choose the candidate. The government expects that since the employer meets 50 per cent of the salary, he will fully utilise the services of the person concerned and is also likely to continue him after the termination of the first year. The Planning Commision has said that this type of scheme can be extended to architects, agricultural graduates and other qualified persons.

But is this really a model worthy of emulation? If the small-scale and medium industries in a state are able to function profitably, they will, of their own accord, provide jobs to as many persons as are required by them. These industries then will not need any pressure or persuasion, support or subsidy from the government to provide jobs. On the other hand, if these

industries are not able to operate successfully, government will be doing wrong in forcing them to employ more people. This scheme may give opportunity to the directors of industries and other officials to pressurise industries to employ people of their choice. Surely, a far better way will be to provide the small and medium industries with all the facilities they need, such as power, raw materials and credit, so that productive and permanent employment, direct and indirect, can be created on a large scale.

Some of the schemes drawn up by the other states also do not seem to be well conceived. For example, the Tamil Nadu government has drawn up a Youth Service Corps Volunteer Scheme to create more employment. This is open to graduates and diploma holders who will be paid Rs 175 each per month for two years. The objectives of this scheme are to promote adult literacy in the villages, to improve sanitation by popularising trench latrines, to conduct propaganda against untouchability and other social evils, to develop sports, and to make the people aware of current affairs. But do we need graduates and diploma holders to undertake this kind of work? Could not matriculates or even those with lower qualifications perform these tasks with some training?

One of the schemes introduced by the government of Kerala is to provide employment to persons with post-graduate and higher qualifications for translation work. These persons will translate into the local language standard scientific and industrial publications and literature in various subjects. The government has set up a task force belonging to different disciplines like natural and physical sciences, engineering, technology, arts, social sciences and the humanities to undertake the work of translation. Each post-graduate employed under the scheme will be paid a consolidated salary of Rs 300 per month while persons with higher qualifications will be given Rs 400 per month. But the Kerala government seems to forget that if the students in the higher classes are to learn their subjects, especially in the technical field, through the local language, they will find it extremely difficult to get employment outside their state.

Many of the employment schemes drawn up by the other states are vague and not really productive. This is not surprising since the Planning Commission itself seems to be interested more in reaching its target somehow than in ensuring that the new jobs actually and permanently benefit the economy as well as those who are employed. Many state governments are yet to start a dialogue with the nationalised banks who are expected to play a crucial role in expanding the opportunities for employment. Most banks have been operating various kinds of schemes for promoting self-employment and wage employment. But they have not achieved much success because of ineffective implementation. What the prospective entrepreneurs need is not merely loan but also careful guidance in regard to various matters such as the availability of imported and indigenous raw materials, fixation of prices, maintenance of accounts, schemes of expansion and so on. Few banks or the other public sector financial institutions are adequately equipped to offer such services to the entrepreneurs.

While the government is trying to create more jobs through all kinds of ad hoc schemes, some of its policies are actually shrinking the opportunities for employment. The take-over of the wholesale trade in foodgrains, the sudden and indiscriminate nationalisation of industries, the canalisation of import and export trades, the lack of stability and clarity in industrial and taxation policies — all these are hardly conducive to imparting dynamism to economic growth which is essential for the expansion of employment.

The Committee on Unemployment under the chairmanship of Mr B. Bhagavati, in its interim report, submitted in February last year, had made a series of recommendations for solving this problem. These related to the development of minor irrigation, rural electrification, roads and inland water transport, housing water supply, and maximum utilisation of installed capacity in industry. It is not known how many of this committee's recommendations have been, or are being, implemented. Because of the acute and wide spread shortage of electricity, many of these schemes are unlikely to be making much progress. But somehow Yojana Bhavan seems to be quite optimistic. In a recent background paper prepared by its Labour and Employment Division, the Planning Commission says: "Adequate priority should be given to the engineering degree holders and highly qualified scientists and technologists so that all of them who are unemployed at present are absorbed at the end of March 1974". In the light of this statement, who can say that New Delhi lacks a sense of urgency in tackling this huge problem of unemployment?

Borrowing begins

THE CENTRAL government has revealed its intention to raise massive amounts through open market loans in the current financial year once again and even excel the record of 1972-73. In spite of the fact that there will have to be heavy expansion of credit in the coming weeks for financing the procurement operations of the Food Corporation and other state agencies, it has been announced that three new loans will be issued by the central government for public subscription on May 12 for a notified amount of Rs 500 crores. It has been necessary to come on the market for raising loans fairly early this year because the 4 per cent 1973 loan falls due for repayment on May 12. The outstanding amount of this loan is Rs 394.51 crores.

The Reserve Bank has not made any change in the terms of the new loans nor adopted any different course though the government will have to borrow heavily on a gross basis. It has been assumed in the budget estimates for the current year that there will have to be gross borrowing for Rs 880 crores. As there are maturing loans for Rs 553.59 crores net borrowing has been assumed at only Rs 326.41 crores. In 1972-73 it had been originally expected that there would be gross borrowing for Rs 515 crores and net borrowing for Rs 214.78 crores. The Reserve Bank however succeeded in mobilising much larger gross and net amounts by taking advantage of the improved liquidity of the banking system and the larger resources at the disposal of the Life Insurance Corporation and other institutional investors. The aggregate gross amount raised was thus much higher at Rs 778.42 crores and the net amount at Rs 478.20 crores.

It is interesting to note that even with the tapping of the market on three occasions in 1972-73 the gross amount in the revised estimates will be lower than the amount assumed in the budget estimates for 1973-74. This is because, as stated earlier, there are heavy maturing loans for Rs 554 crores. Under different circumstances the funding of the maturing loans itself would prove to be a difficult task if there was scope for employing available funds more remuneratively. The government need not however have any anxiety in this regard as the holders of maturing loans are mainly institutional investors and they will have to compulsorily reinvest the sums repaid in respect of maturing loans in other guilt-edged securities. It can therefore be safety expected that conversion applications will be forthcoming

on a large scale against new loans and what really matters from the money market angle is the net amount raised by the central and state governments and public bodies.

The main question is therefore whether the government can excel the record of 1972-73 and borrow additionally Rs 150 crores in order to improve its ways and means position and also establish the fact that sizeable amounts can be raised every year from the organised money market with increasing monetisation of the economy. There should be thinking somewhat on these lines as a net amount of Rs 155 crores is sought to be raised in the first tranche of the borrowing programme for the current year against only Rs 131 crores on the last occasion over and above converting a bigger maturing loan.

It is also to be pointed out that the first operation in the last financial year was only in July when three new loans were issued for a notified amount of Rs 350 crores. All the loans were oversubscribed within a few hours on the opening day and as the government reserved to itself the right to accept subscriptions up to 10 per cent in excess of the notified amount the net amount borrowed was Rs 131 crores. The monetary authorities have apparently thought it unnecessary to adopt a cautious approach now though the new loans will be issued at a time when procurement operations will be intensified and the scheduled commercial banks would be finding good use for available resources.

The procedure now adopted is perhaps due to the fact that the scheduled commercial banks have not experienced so far any pressure on account of a larger demand for funds from their constituents and for procurement purposes. During the week ended April 20, borrowings of scheduled commercial banks from the central banking institution amounted to only Rs 30.37 crores even with a big increase in advances in the busy season which has just ended. In the corresponding week last year the amount borrowed was only slightly lower at Rs 22.60 crores. There is therefore ample scope for using refinance facilities if there is sizable net addition to the stocks of foodgrains of the Food Corporation and other agencies following an intensification of procurement operations.

The improved capability of the scheduled commercial banks for lending good support to the borrowing programme of the central and state governments is also borne out by a big increase in their investments in the 12 months ended April 20, 1973. With a surge in deposits by Rs 1,461 crores in the period under reference it was possible to expand credit for as much as Rs 909 crores and even invest Rs 489 crores in central and state loans. Cash balances too improved by Rs 108 crores. It is therefore clear that additional investments and bank credit could be effected by the member banks without recourse to borrowing from the central banking institution, owned resources being adequate for all purposes.

It can certainly be expected that the growth in deposits in 1973-74 will be easily Rs 1,600 crores if there are no major upsets in the internal economic situation. Even allowing for a faster growth in advances of Rs 1,000 crores and an augmentation of cash balances by Rs 50 crores, the commercial banks alone can invest easily Rs 550 crores in new loans and bonds. As the Life Insurance Corporation also has been adding to its assets in a more impressive manner, it may not be surprising if the net amount borrowed by the central government alone in the current year will be Rs 500 crores. There will, of course, have to be a proper staggering of the floatations of the new loans in order to avoid unnecessary pressure on the money market.

This confident feeling should have been responsible for the absence of any change in the terms of the new loans notwithstanding the changes recently effected in interest rates on deposits and the costlier basis for refinance facilities for non-priority purposes. The three new loans now announced are similar to those issued in July last year. The 4¾ per cent loan maturing in seven years is again offered at par, the 5 per cent eleven-year loan maturing in 1984 at a discount of ½ per cent and the 5¾ per cent 30-year loan maturing in 2003 at par. The terms are thus identical to those of July last year and it may be expected that there will be reissues of these loans when the government comes again on the market in the third week of July. The 4½ per cent 1973 loan falls due for repayment on July 22 and the outstanding amount is Rs 159.08 crores. The holders of 4 per cent 1973 loan have now been offered conversion terms, the maturing loan being convertible into any of the three new loans on the basis indicated above.

The list for the three loans will surely be oversubscribed on the opening day and the net amount borrowed will be easily Rs 155 crores. In the second tranche a net amount of Rs 200 crores can be raised and in the third tranche, after the state loans are out of the way, another Rs 150 crores, thus exceeding even net borrowing of Rs 500 crores. The government however will be the biggest borrower for the banking system as it will be not only compelling it to invest large amounts in new loans but also making it obligatory to expand procurement credit substantially.

It only remains to be seen whether at particular stages the borrowing of scheduled commercial banks from the Reserve Bank proves to be heavy. If the operations are carried out skilfully, the needs of all classes of borrowers can be fully met. Only available resources should be purposefully utilised and the government should not indulge in a spending spree just because the required funds could be easily mobilised.

Eastern Economist 25 Years Ago

MAY 7, 1948

The trend in our foreign trade as revealed by the figures for the first quarter of the current year is a very welcome development. As compared with shipments in the first quarter of 1946, our exports during the first quarter of current year have shown considerable increases in quality in respect of jute manufactures, tea, coal, coke, hemp raw, cotton wastes, hides and skins, hemp, groundnut and linssed-oil, miscellaneous seeds, wax and wool raw. This is an impressive list and it becomes the more impressive when we take into consideration the fact that the figures for 1946 included exports from the ports which now lie in Pakistan. Provisional estimates placed India's total earnings during the period at Rs 97 crores, of which nearly 30 per cent has been contributed by the dollar area countries. If we take into account the export figures for commodity groups, shipments of jute fibres and manufactures revealed a happy trend. Nearly 94,000 tons of jute cloth and bags were exported during the month of March as compared with an average figure of 55,000 tons only for January and February. Of these, nearly 30,000 tons of hessian cloth went to the United States against only 13,000 tons of February and 10,000 tons in January. Raw jute shipment also touched a peak of 34,000 tons against only 19,000 tons in January and 15,000, tonnes in February. But it may be this is a transient phase, for as it happens the bulk of the raw jute supply lies in Pakistan.

CATALYST IN KANGRA—I

Strategy of the German mixture

Editor

RECENTLY I had an opportunity of studying the functioning of the Indo-German Agricultural Project in the Kangra area as a member of a press party organised by the embassy of the Federal Republic of Germany in New Delhi. I had on different earlier occasions visited Mandi in Himachal Pradesh, the Almora district in Uttar Pradesh and the Nilgiris district in Tamil Nadu and acquainted myself with the working of the Indo-German agriculture projects in those regions. I was therefore rather keen on joining the press party to Palampur in Kangra district and completing my information on this aspect of Bonn's contribution to the economic development of our country.

I had written rather extensively on the Indo-German Nilgiris Development Project in the issue of *Eastern Economist* of November 19, 1971. I pointed out then that that project was committed to two very specific goals: first, the eradication of a particularly obstinate and destructive pest of the potato crop, namely the golden nematode; and, secondly, extending the commercial growing of various vegetables in the Nilgiris in an attempt to wean this predominantly potato-growing area from mono-crop farming.

select objectives

The Indo-German agricultural development project in Almora (which I had discussed in *Eastern Economist* of April 30, 1971) had the more general objective of organising a comprehensive agricultural extension scheme or service in that region designed to promote a package of improved agricultural practices. The Kangra project has more in common with its Almora counterpart than with the Nilgiris exercise or perhaps the Indo-German Programme in Mandi, where again the emphasis is placed on a few select objectives, such as the introduction of modern farm implements or the promotion of animal husbandry. At the same time, there is a very important difference between the Kangra project and the Almora one in that, whereas the problem in Almora is essentially one of educating a relatively backward rural community in twentieth century agriculture, the task for the Indo-German effort in Kangra has been to encourage and assist a relatively better informed peasantry to improve its income and economic status by providing it with the necessary institutional facilities.

intensive agriculture

The Indo-German Agriculture Project, Kangra, formally inaugurated at Palampur in February, 1967, was in fact an attempt to feed the resources of German collaboration into an intensive agricultural development programme sanctioned by the state government for the Kangra district. To start with, the Kangra region covered by the project was the biggest district of Himachal Pradesh accounting for over 38 per cent of the total population of the state. The project work was started in seven blocks of Palampur and Kangra sub-divisions in February, 1967, while three more blocks were included about a year later. Another five blocks were covered from July, 1968 and the remaining six blocks brought in during February, 1969. In the process, the entire Kangra district, as it then existed, was accounted for.

When this area was trifurcated into three new districts of Una, Hamirpur and Kangra on September 30, 1972, the situation changed substantially. The West German government seems to have taken the view that the relevant agreement it has made with the government of India would apply only to "Kangra district" as officially described or defined at any given time. On the basis of this interpretation, the activities of the project are now being concentrated in the 12 blocks, covering an area of about 333 acres, which make up the present district of Kangra. The other nine blocks, which were also previously included in the project but had subsequently become distributed between the new districts of Una and Hamirpur, have therefore come to be very much on the periphery of the Indo-German project activities in the area.

It is perhaps as well to dispose of a minor controversy which seems to have developed in this context. There is naturally a sense of grievance among farmers in the Una and Hamirpur districts that the facilities, of which they were given a taste, have been virtually withdrawn as a result of the project activity being restricted more or less to the new district of Kangra. There seems to be a certain amount of political pressure directed towards securing the inclusion of the Una and Hamirpur districts in the jurisdiction of the project and it is also probably the case that some of the officials of the state government, who are associated with the project, are not entirely without sympathy towards this move.

concentrated effort

As against this, the German experts in the project are probably relieved that, thanks to the trifurcation of the original Kangra district, they are now able to deploy the resources at their disposal more effectively over a less sprawling spread of the countryside. It has been argued in fact that the rapid extension of the coverage of the project to more and more blocks in the earlier stages had not been a well-considered programme and had been probably a result of the influence exercised by politicans in the Una and Hamirpur areas. It may be pointed out in this connection that there is a serious problem of transport or communication in this hilly region and that the organisation of workshop facilities, transport vehicles and farm machinery becomes particularly difficult when the project is expected to serve an unduly vast area. It has been suggested that, had the project not over-extended itself in terms of area covered in its earlier years, its impact would have been much more than what it is now and it is believed consequently that, if the project is now allowed to con-

centrate its activities in the new Kangra district, it would be able to show a better record of effective performance now and in the future.

German mixture

Fertilisers—their procurement, propagation and distribution—are central in many ways to the Indo-German project in the Kangra district. In the first place, by gifting substantial amounts of fertilisers to the project, the West German government has enabled the project authorities to raise rupee resources for their activities by selling the gifted fertilisers to the farmers in the project area. From November, 1966, up to the present time, Bonn has provided 13,314 tonnes of a complex fertiliser, containing nitrogen, phosphate and potash, known as the "German mixture" at a supply price of the equivalent of about Rs 500 per tonne. After adding customs duties, handling and transport charges to the supply price, the project has been selling these fertilisers to the farmers at Rs 750 per tonne and thus raising rupee finance for its activities.

Apart from serving as a vehicle for the transmission of funds to the project by the West German government, this fertiliser programme is also serving as the main built-in promotional scheme of the project itself. The most serious agricultural problem in this region is that, although its soil is fairly fertile, it is still liable to be denuded of its plant nutrients by erosion to which hilly areas are normally subject. As a matter of fact, the German mixture has been selected as a complex fertiliser ideally suited to making good the deficiency in plant nutrients identified in the soil of the project area.

Broadly speaking, the project authorities do not seem to have faced any particular difficulty in building up fertiliser consciousness among farmers in the project area, but they do seem to have worked rather hard to secure the acceptance of the German mixture. The normal preference among farmers in this region is for calcium ammonium nitrate and it is only through patient demonstration and extension work that the project authorities have been able to propagate the superior virtues of the more balanced fertiliser, namely, the German mixture. Even so, their work in this respect cannot be said to have been completed because, while the German mixture is now being accepted widely and even freely as a basal fertiliser, the more familiar varieties o rcompositions are still in demand as top dressing. Nevertheless, the substantial success, which has been achieved in the propagation of the German mixture, has been a great advantage since the availability of calcium ammonium nitrate has become severely restricted due to the general shortage of domestically produced fertilisers and particularly the curtailment of production in the Nangal fertiliser factory due to the restricted supply of electricity from the Bhakra power station.

proper distribution

It is almost as important that the distribution of fertilisers should be organised efficiently as that their value should be drummed into the consciousness of the farmers. It is therefore an important activity of the project to organise the facilities for the proper distribution of fertilisers. As a part of this programme, six central godowns have been constructed so far, the objective being to build 22 central godowns having a capacity of 1,000 tonnes each and 25 medium-size godowns having a capacity of 300 tonnes each. Pending further progress of this programme of constructing adequate storage facilities, a decentralised storage pattern has been developed so that difficulties in the movement of fertilisers at the block level or even at Gram Sevak level could be reduced.

The object here is to ensure that farmers need not walk more than about five kilometres for purchasing their fertiliser requirements. The services of co-operative societies and other registered dealers have been enlisted for this purpose and, simultaneously, a uniform price is fixed and given wide publicity so that the cultivator is able to get his fertiliser at the authorised price. Financial facilities are provided for purchase of fertilisers in the form of *taccavi* or crop loans. The fertilisers are also issued to co-operative societies under bank guarantees.

Apart from the quantities of the German mixture received by the project for distribution to farmers, additional quantities of domestically manufactured fertilisers, such as calcium ammonium nitrate, ammonium sulphate, superphosphate and muriate of potash are also being made available to the farmers by the project. One of the important achievements of this fertiliser programme is that, during a period when the country as a whole has been affected by a shortage of fertilisers, farmers in the Kangra area have been able to secure their essential requirements of this input.

(To be concluded)



Energy in the seventies and beyond

Jossleyn Hennessy

WHILE PARTS of the USA have been suffering from "chill-outs" and President Nixon seeks to alleviate the energy "crisis", western Europe appears to be unaffected. The storage tanks are full, coal is in the bunkers, and gas is being piped at increasing rates out of the North Sea. Clearly there is no shortage of fuel. This is reflected in the prices of the leading fuel commodity, oil. In western European markets the price of oil delivered to refineries has remained stable for over a year despite the cumulative impact of the agreements made with the oil producing countries in 1971.

Nevertheless there is a growing nervousness about the long-term.

Will there be enough fuel to feed the tremendous expected growth in world demand ?

Will it be secure against arbitrary interruption ?

dependence on imports

Western Europe had become increasingly dependent on fuel imports, particularly oil. These largely come from west Asia and Africa, where, since the agreements of 1971, there has been continuing pressure not only to raise prices further, but to take over the assets of the oil companies, until now primarily responsible for the exploration, extraction and distribution of the non-communist world's oil resources. In principle, agreements have now been made with the Gulf shaikdoms (Kuwait, Abu Dhabi, etc.) whereby they will have a controlling interest in the oil company assets by 1973. But this is only the first stage in a series of tugs of war that are likely over the next few years. The Shah of Iran recently reopened the question of his relationship with the western oil consortium, which appeared to have been settled last year. The actions of Libya and Iraq remain unpredictable. The threat of seizure or a stoppage in production creates the feeling that supplies to western European countries are insecure and will become increasingly expensive, adding heavily to import bills and costs of production.

Let us therefore try to assess the seriousness of the energy "crisis" in so far as it affects western Europe, to discuss the problem of security of supply, to consider what the prospects are for indigenous sources of fuel, and what government policies towards them should be.

joint stand

The argument will be that long before there is a shortage of fuel in the absolute sense there will be strong pressures to control and link the use of fuel; that western European governments badly need to take a joint and strong line vis-a-vis suppliers instead of yielding to blackmail; and that they should seek a radical policy in the exploitation of their own resources.

The western European energy pattern over the last 20 years has shifted from coal to oil. In 1950, coal accounted for 75 per cent of its total supply, oil 15 per cent. By the beginning of this decade coal accounted for less than 30 per cent, oil for over 60 per cent, the balance being made up by a rapidly increasing consumption of natural gas and to a smaller extent by hydro-electric energy. No government, far less any collection of governments, such as the EEC, has been able to elaborate a coherent energy policy, to forecast accurately the long-term pattterns of supply and demand and the means whereby these would be fulfilled. All have been persistently over-optimistic, notably in the UK, about the future viability of coal and nuclear energy.

Up to 1956, there was a general fuel "shortage" arising from the lack of investment to remedy war damage to coal mines. Europe's annual coal production regained prewar levels of around 500 million tons by 1951 and rose to a peak of 593 million tons, Further increases were hampered both by policies of controlled prices and by filling the energy gap by oil imports. To limit the foreign currency cost of oil, governments encouraged a rapid build up in European refinery, which accelerated the market penetration of oil products. At the same time, some governments, by embarking on oil-fired stations, deliberately set out to lessen dependence on coal as the power source for electricity generation. There was a growth in energy markets which only oil could satisfy, particularly road transport.

By 1958, the post-war fuel shortage disappeared, partly owing to a mild economic recession in Europe, but also to developments in the international oil market. New competitors among the companies, the exploitation of major new fields in areas like Kuwait, and limitations imposed on American oil imports were all factors that depressed crude and products prices for over a decade. The price of fuel oil in West Germany, for instance, fell by over 50 per cent in the two years to 1950.

main problem

As a result the main problem in the late 1950s and early 1960s was the rate at which coal mines should be closed down. Given that oil has consistently cheaper per useful calorie and is more convenient to handle, the only surprise is that by 1970 western Europe was still producing over 300 million tons of coal a year, nearly half of it in the UK. Pressure to maintain coal production came from those who wanted to maintain jobs in coal-producing areas and from the feeling that indigenous sources of power should be protected. Nevertheless, despite subsidies, investment grants and various protective devices (e.g. pressure on electricity authorities to keep coal-burning stations, and a tax on fuel oil for heating, as in the UK) two-thirds of the coal mines in the European Coal and Steel Community were closed down. In the UK it has taken considerable political pressure to maitain ottput at around 150 million tons compared to the peak post-war level of nearly 230 million tons.

Coal has never looked, nor looks now, a competitive fuel. British coal output is

probably more efficient than Continental. In 1967, the then chairman of the National Coal Board, Lord Robens, said that given time and much money some coal could be produced at three pence a therm, which still did not make it competitive with oil. Since then oil prices have risen. The delivered price of crude to western Europe rose by over 20 per cent between 1968 and 1972. But with labour costs around 60 per cent of total coal production costs, the long-run tendency is for coal prices to rise as fast or faster. Even so, the UK government has made clear that it will underwrite the National Coal Board's present production, and this in turn must be revised upwards from the figure of 200 million tons generally predicted by 1980.

The desire to develop or preserve indigenous sources of fuel led to over-optimistic assessment of the role of nuclear energy during the 1950s. Apart from coal and one or two gas fields, notably in northern Italy, the only other sizeable European source of energy until the North Sea discoveries was hydro-electric power, which has grown at 5.5 per cent a year, accounting for a steady three per cent of energy consumption. But geography imposes its limitations. By the middle of this decade, over two-thirds of the economically workable power will have been harnessed, although rising prices will of course increase the ceiling.

obvious replacement

For a number of countries nuclear energy therefore seemed the obvious replacement for coal. The UK took the lead, and until this decade accounted for most of Europe's installed capacity. But nuclear powered stations have proved stubbornly uneconomic, even in the USA, the only successful exporter of nuclear plant design and know-how. It has proved extraordinarily difficult to achieve forecast output rates while capital costs continue to escalate. At the same time, national ambitions to develop indigenous design and construction teams have delayed progress. The ambitious targets put out by the EEC in 1957 in the report "A Target for Euratom" proved unrealistic. The initial target of 15,000 mw by 1967 was twice revised downwards, to 4,000 mw by 1965 and then to 2,000 mw by 1967. In the event, capacity available by 1970 was 3,243 mw, filling just over one per cent of western Europe's energy requirments.

This picture is now likely to change dramatically. Although considerable doubts about the economics of nuclear power stations remain, West Germany in particular has opted for an ambitious nuclear programme. Thus, by 1980, the enlarged EEC could have over 100 million metric tons coal equivalent of nuclear capacity installed, and this could build up rapidly in the early 1980s reaching 235 million mtce by 1985. Some estimates are more optimistic, putting the total energy capability of nuclear and hydro-electric stations together at 170 million mtce by 1980 for western Europe as a whole. Although there will clearly be a large expansion, one must admit that nuclear forecasts are highly vulnerable. Apart from cost probloms and construction delays, there are environmental problems. Objections on grounds of safety and pollution have virtually halted the US nuclear programme, and in a densely populated area like continental Europe environmental questions could arouse even greater antagonism.

role of gas

At best, therefore, nuclear energy and hydro-electric power between them will account for 12 per cent of western European energy demand by 1980, although some estimates put it at seven per cent. However, the pressure on these types of power as indigenous sources of energy is less now than it might have been even five years ago. The discovery of gas and later oil in the North Sea, and the potential both there and in other parts of the European continental shelf, have substantially altered the energy equation. How substantially is a question not only of geology but of policy.

So far the main impact of the finds in the North Sea has been to make natural gas a more widely available fuel. In 1960 natural gas consumption in the EEC and the UK combined amounted to 13 million mtce largely from the French Lacq and the Italian Po valley areas. The discovery of the Slochteren gas field, one of the world's largest, in the Groningen province of Holland, transformed the picture and led to exploration in the North Sea and the subsequent discoveries there, mainly in the British sector. By 1970, production of natural gas reached 95 million mtce, i.e. about six per cent of energy requirements. Official estimates suggest that by 1980 indigenous natural gas production will reach 215 million mtce, i.e., more than 10 per cent of total requirements.

The oil developments have come later, beginning with the first North Sea oil discovery in Danish waters in 1966. It is only comparatively recently that major finds have been made with the Ekofisk discovery in Norwegian waters in 1960 and other important discoveries of oil and and gas condensates, including GP's Forties Field in 1970. Since than, the number of important finds has steadily expanded, together with estimates about their significance and the potential of other areas, including the other coastal waters around the British Isles.

out-of-date estimates

Nevertheless, let us take as a starting point official forecasts for 1980, culled from the OECD and dating back to 1968-69. These suggest that European output would be 50 million mtce. This is now out of date. There are however no certainties about the North Sea (let alone the Irish Sea and the English Channel). But there are good arguments for supposing that total potential output by 1980 could be much higher. Before trying to quantify these arguments, however, it is worth looking at the present global picture.

At the beginning of this decade western Europe's energy requirements amounted to some 1,475 million mtce. About two-thirds came from outside the area mainly in oil of which 880 million mtce was imported. According to OECD estimates, the figure for oil from outside Europe will rise to over 1,000 million mtce by 1975 and 1,450 million mtce by 1980. These figures make two assumptions, that (1) total energy requirements will rise at the same rate as they have in the past decade to 2,250 million mtce by 1980 ; (2) indigenous sources of energy will rise by less than 25 per cent to 680 million mtce, with coal production nearly halved and more than outsweighing the benefits of the North Sea finds.

Not all sources of energy are interchageable. While oil can be used in power stations in the place of coal, it cannot be used in place of coking coal for steel works ; and coal or nuclear energy cannot be used for driving motor vehicles. Over the decade 1961-1971 western Europe's demand for oil products rose by just over 11 per cent a year. Although nearly 40 per cent of oil demand is for fuel oils, an important part of the increase came from rapid growth of car ownership and the switch to road vehicles as a means of carrying goods. During the 1970s it is likely that there will be a slowdown in the rate of increase of the main components of demand. Car ownership will increase less quickly and there appears to be a

slowing down in the rate of growth of energy demand in general, although it must be said that correlations between economic growth and energy consumption have a habit of changing every few years. And pressure from the environmental lobby is likely to increase.

So it is reasonable, although not certain, that oil imports will in any case be less than expected, One now has to consider the real potential of the new oil and gas discoveries. First of all, there is likely to be substantial scope for increasing natural gas imports from such countries as the USSR and Algeria, which would further limit the need for oil imports. Secondly, there is scope for increasing production of natural gas within western Europe. Estimates of reserves have tended to be conservative, whereas we have the example of the Groningen field in the Netherlands the reserves of which have been steadily uprated over the last decade. Its declared maximum annual production has risen from 40 to 50,000 million cu. m. to 100,000 million cu. m. in a few years.

Other gas fields, already discovered, more than double this level of reserves, and it is probable that there will be a growing flow of associated gas from the oilfield which will be developed over the next decade.

steady increase

The history of oil exploration shows that when a major new field is discovered its production potential tends to be steadily upgraded, provided that exploration continues at the present rate, and assuming that there are no insuperable difficulties in moving the oil from the wells to the coast, it would be conservative to forecast that oil production will reach 200 million mtce by 1980. A number of experts suggest that it could be as high as 500 million mtce. The rate of uptake is in any case only partially dependent on the level of proved reserves. In general the oil industry considers that an optimum rate of production is one which would be maintained for a period of over 20 years, but there is no iron law to prevent faster exploitation. Production policy is something for governments to decide and if one looks at the energy picture for western Europe over the next 30 years there is a good case for making the most of indigenous sources earlier rather than later.

The use of energy at any given rate has always been something of a gamble. While the reserve picture may look comfortable—indeed for a long time, over 35 years of consumption at current rates—the future can never be fully insured. The present situation for energy in the world as a whole would be gloomy indeed if it were not thought likely that a more efficient and safer form of nuclear energy, possibly by nuclear fusion, would be a strong candidate as the main energy source by the end of the century. By themselves the North Sea oil and gas finds cannot transform the energy balance. What they can do is to help western Europe avoid blackmail by a cartel of producing countries.

Indeed the most important task for the enlarged EEC in the energy area is to work out a sensible way of confronting the oil producers, who like any sensible monopolists will take the market for as great a ride as they can. The governments' task will be made easier by the takeover of the oil companies' assets in west Asia. As the producing countries have to sell in consumer markets themselves they will find it hard to avoid competing. In the short term there is no sign of an oil shortage, rather the reverse. And the oil import needs of the US will, by encouraging the producers to battle for a new market, tend to lower rather than raise prices. So the medium-term picture is encouraging, provided that the western European countries can defeat the ultimate blackmail, an embargo on sales by the producers. The answer is simple. Western Europe must stockpile so that it has, for a change, enough oil within its boundaries to last for five to six months. This together with the growing supplies from the North Sea will be enough to ensure rational bargaining.

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Socialism and Semantics

T.M. Rao

Socialism: "A political and economical theory of social organisation which advocates States ownership and control of the means of production, distribution and exchange" (COD.)

"Socialism, reduced to its simplest legal and practical expression, means the complete discarding of the institution of private property by transforming it into public property and the division of the resultant public income equally and indiscriminately among the entire population" (G.B.S. in Encyclopaedia Britannica).

"...(each individual) intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. .... By pursuing his own interest he frequently promotes that of the society more effectively than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good". (Adam Smith, *The Wealth of Nations*).

needed : clear definition

We need a clear definition of what 'socialism' means, if for no other reason than that the establishment of a 'socialistic pattern of society' has been adopted by the ruling party as the country's ostensible goal. It is not, of course taken, except by a small minority, as abolition of private property. A notion that is widely accepted is that the means of production will be 'socially owned'. 'Means of production' is probably meant to apply to large scale manufacturing units, at any rate in the first stage; presumably it will also not apply to land. As regards 'social ownership' it is generally taken as a synonym for state ownership. The idea of co-operative ownership has not gained much currency owing perhaps to the poor record of performance of co-operative societies in this country. The irony of the situation is that the record of the public undertakings has been no better.

Another idea which has been successfully worked out in the west is for workers to hold shares in their companies such as Volkswagen in West Germany and Ford Motor Co. in the United States. It is rather puzzling why socialists plump for state ownership to the exclusion of other means; could it be that they are unaware that government in our set-up is but a vast army of peons, clerks, and various grades of officials, each hungry for his own share of the booty? Socialism then really boils down to replacing a private entrepreneur making a success of his enterprise and reinvesting his profits in new ventures, by a bureaucracy notorious for its lethargy and corruption, leading to inefficient management of resources. One wonders whether it is for this that the cry of 'socialism' evokes such warm response amongst so many people.

funny notion

Karl Marx believed that it was but capitalism which "forces the development of the productive powers of society and creates those material conditions, which alone can form the real basis of a higher form of society or a society in which the full and free development of every individual forms the ruling principle". It is rather funny that our socialists confuse a semi-feudal society such as ours for a capitalist order producing an abundance of goods, whose distribution may emerge in time as a problem of capitalist development.

Another view is that socialism will lead to reduction of inequalities. There are two separate questions here: one is 'what is the measure of inequality?'; the other is 'how is the reduction going to be brought about?.' For one with a large family living in a Bombay bustee, a flat on Marine Drive with an air conditioned bedroom may be part of a dream world, just as a five course dinner followed by vintage port and cognac may seem to some the height of luxury; on the other-hand a person who drives a Cadillac to work may in fact be no match to his next door neighbour who has some priceless antiques in his collection. Even in a small fishing hamlet, there are a few who by husbanding their resources have gone on to build pucca brick houses, while the rest loving fun and the bottle, merrily carry on in their thatched huts.

Poverty like riches wears many faces but he is a bold man who can prescribe for others how they ought to order their lives. If choice is part of freedom, socialists will need to show that socialism does not mean constriction of choice, "Dost thou think, because thou art virtuous, there shall be no more cakes and ale?" is a poser that our socialist Malvolios should be first prepared to answer.

Here is a glimpse of life under socialism. A member of the Yugoslav Communist party describes the atmoshhere in which a regular Communist lives: "I am really torn into three parts: I see those who have a better automobile than I have, yet it seems to me that they are not more devoted to the party and to socialism than I am; I look down from the heights on those who have no automobile, for they have not really earned any. So I am lucky that I have the one I have" (Milovan Djilas, *The New Class*).

The other question, 'how is reduction of inequalities going to be brought about?' is related to the first one, for without a clear notion of what constitutes inequality, it would be rather a wild goose chase attempting the latter. I suppose the 'modus operandi' will be the ceiling legislation that is being made much of now; whether it will, in fact, lead to a reduction of inequalities is, of course, another matter.

human agency

For the trouble with much of the 'socialistic thinking' is that it is conveniently forgetful of the 'human agency'. It forgets, for instance, that politicians can sound high minded and altruistic having an eye on the next election while all that they may be interested in is feathering their own nests; and officials, as a class, are inspired by nothing so much as their own pecuniary gain. If there is a 'consideration' of 10 per cent for getting a bank loan even in a priority sector like agriculture and there is a 'right payment' to revenue officials to get away with benami transfers of land, it is hard to imagine that 'socialistic legislation' will conjure away want and disparities. In the west, generally speaking, politicians' claims are taken by the public with a bit of cynicism and when going to the polls, vote for whoever they think is the lesser of the two evils. Probably such an attitude is a reflection of their political

savvy. They are not taken in by tall promises which sound fine at the hustings but are found rather impracticable later on. Here in India we can perhaps do with a bit more cynicism!

If a businessman and a self-styled 'socialist' were standing against each other in an election, to whom should one cast his vote? The businessman would in all probability seek votes on the basis that he would continue to make a reasonable profit even as he supplies the community with various goods but that they are at liberty to transfer their custom to a competitor if his goods fail to give them satisfaction. The 'socialist' on the other hand would claim that if he were voted to power, he would take over industries, reduce prices all round and help the 'common man'. The question is why should the voter take the 'socialist' at his face value merely on his promises? The socialist is probably interested in no one other than himself; for socialism, as he may have been quick to see, can be as good a money spinner as it is a vote getter. After all one has seen this happen so often around the world.

Viewed in this light, socialism does not add up to much. It is far from the visionary society that it is supposed to usher in. It simply means, in the present Indian context, replacing entrepreneurs and professional managers by bureaucrats. The results of bureaucratisation of industry are there for all to see.

inefficient management

Let us, therefore, read "inefficient management of resources" for 'socialism' and "bureaucratic bungling of the economy by an inefficient administration" for 'socialistic pattern of society.'

It has become a fashion to denounce what is called 'concentration of economic power'. The latest to join the chorus is none other than Mrs Indira Gandhi in her recent address to the FICCI. "Increase in national income will now be put on an equal footing with increased self-reliance, wider diffusion of employment opportunities and reduction in the concentration of economic power." But what exactly does 'concentration of economic power' mean? It somehow fetches up visions of capitalists and tycoons striding the country, toppling a government here and setting up a puppet president there. Even in the hey-days of Mellons and Vanderbilts such exploits would have probably belonged more to the 'Westerns' rather than real life. Whatever their 'gory deeds' might have been, it is pretty certain that but for them and their entrepreneurial spirit there would have been no American economic miracle.

In acknowledging capitalism as an 'engine of growth' Karl Marx observed, "..the development of capitalist production makes it constantly necessary to keep increasing the amount of the capital laid out in a given industrial undertaking; and competition compels each individual capitalist to keep constantly extending his capital, in order to preserve it but extend it he cannot, except by means of progressive accumulation" (*Das Kapital.*) Since then, of course, the managerial revolution has altered the role of the 'captains of industry'. Indeed the management and day-to-day running of giant firms like ICI and General Motors have become so complex that it would be presumptuous on the part of anyone to pretend that he can bend them to his will; the present generation of Fords and Rockefellers is probably more happy to sit back and watch their shares go up on the New York Stock Exchange under competent professional management rather than interfere in their running.

inept handling

Besides complexity, another reason for the docility of the erstwhile tycoons is competition. For, whatever a Ford can do, a Rambler will try to do better ! The recent disclosures about IT & T are rather significant not so much for big business involvement in political intrigue but rather the ineptness of even a multi-billion corporation in undertaking that sort of thing. All that can be said about it is that the shareholders will not be 'amused' when they learn that the bungling of the management cost them the whole of their not inconsiderable assets in Chile. The success of the United Fruit Co., on the other hand in Guatemala, several years ago, probably owes more to the strife-torn political conditions in the country at the time and less to its own sinister machination to bring down the leftist government.

While the 'evils' of big business have been well publicised, the role of the oligopolistic (a few firms comprising an industry) corporations in promoting research and development has not been given its due. A degree of control over the market and above-normal price (i.e. the price which would have ruled if there were perfect competition), two of the chief characteristics of an oligopoly, are recognised in economic theory as essential if it is to have sufficient retained earnings to cater for R &D and also undertake long-term investment. The Japanese break-through in motor cars, electronics and super-tanker would not have been possible but for the oligopolistic oranisasation of their leading industries. Those who shout against concentration will do better to attempt an economic assessment of the pros and cons of such concentration. In so far as the element of competition is kept alive inside an oligopolistic arrangement, it would seem that there is much to gain and little to lose.

PM's charisma

It is rather paradoxical that those who are worried about concentration of economic power seem to have little to say against concentration of political power. When Mrs Gandhi was questioned by press correspondents in Madurai the other day whether there was not too much concentration of power in her hands, she brushed aside the question with the remark: "In what way have I too much power? I have no more than any other Prime Minister in the world". Ever since the time of Walter Benehot, the position of the British prime minister had been widly discussed; lately John Mackintosh, author and MP, has argued that the power of the prime minister has so increased that far from being 'primus inter-pares', he virtually presides over a presidential type of government. Nonetheless he has to carry his colleagues along with him in the cabinet as also his party in the country; but one can recognise that biggest check on his power is that an alternate government in the form of a strong opposition party in the Commons is always breathing down his neck. None of these checks in India; on the other hand, to the power and prestige of the PM's office are added the charisma of the Nehru family and the personality cult which thrives so luxuriantly on Indian soil.

It is a mistake to suppose that where 'democratic processes' are at work, there will be no undue concentration of power nor that there will be abuse of it, It is well known that Hitler came to power on a popular mandate and that the third Reich was kept going for several years after he was elected Chancellor. It is ironical that the greatest abuse of power can take place only in a 'democracy' because the 'form of democracy' may conceal the fact the substance beneath has long been eroded. Nobody, for instance, is impressed by the fact that more than 85 per cent of the electorate vote 'yes' to the officially sponsored candidates in the Soviet Union, which leads one to the conclusion that 'democracy' for all its elections and parliamentary procedures may be meaningless unless there is an opposition waiting in the wings to take over any minute from the ruling party. The moral is: If concentration of economic power

is bad, so is concentration of both economic and political power in the hands of a single individual.

Mrs Gandhi at the recent FICCI annual session said that the "Common man is our first concern".

much-abused common man

Who is this common man of whom the prime minister is expressing such concern? In Madras one readily thinks of Mr Subramaniam, a Lower Division Clerk working in the secretariat. On Rs 200 a month (with all allowances included) he is obliged to support a family of six including a boy who is in the final year at high school and a girl, not quite fifteen, whose marriage has already cast a shadow on the father. Mr Subramaniam, spends almost 80 per cent of his salary on food and clothing and so rising prices and particularly the 14 per cent jump in food grain prices this year are his biggest worry. If someone were to tell Mr Subramaniam that he is the object of the PM's concern, he will, in all probability, treat it as a poor jok. For he is clever enough to realise that it is the government's policies that are largely responsible for inflation, that deficit financing to the tune of Rs 1000 crores (without any increase in production to offset it), unconcionably high excise duties and indirect taxes on articles of every day use (he knows, for instance, that the indirect taxes levied by the union government alone account for 50 to 75 per cent of the total ex factory cost of such major consumer goods as cloth and sugar) and curbs on industrial production on one pretext or the other, that all these have had no other effect than push up prices and push him down.

We have probably made a mistake; it is not Mr Subramaniam that the PM has in mind; it could be Thangaswamy, a semi-skilled worker in the Simpson Group of companies. He takes home Rs 170 which has to feed a family of eight including Mr Thangaswamy's dependent parents. With ten years' service in the company, he had hoped to be promoted as skilled machanic but the company's expansion plans, after several years deliberation, had obviously reckoned without the host i.e., the ministry of Industrial Development and now that they are shelved for the present have shattered Thangaswamy's dreams of promotion. He will indeed be lucky if he can hold on his job amidst talk of retrenchment in the company. Is he really the one that the PM is worrying about?

It may be that none of the citizens of Madras, even the lowest paid, qualifies as a 'common man'. Let us then go to a villago near Coimbatore and ask Murugappan who works as an agricultural labourer on a well-run farm owned by Mr Ramaswamy Naidu. Being a retainer, Murugappan enjoys some privileges that a casual labourer may not. Although he gets a monthly pay of only Rs. 80, he gets free supply of rice and vegetables from the farm besides free living accommodation. On festive occasions such as Pongal aud Diwali, Murugappan's wife and children are sure to get from Mrs Naidu gifts of clothing and money.

Since mid-term elections when the talk of land ceilings had begun, Ramaswamy Naidu has given up the idea of extending cultivation over another 15 acres that he had in mind. He has also begun to cut back on his investment in land. Now Murugappan's position is rather uncertain; he may not be retained if Mr Naidu is forced to trim his farm within the ceiling. Whether Murugappan as a landless labourer (he is a Harijan too) will get his allotment of 1 or 1.5 acres remains to be seen for there are a number of other claimants already in the queue. It is rumoured that there is needed a 'payment' of Rs 500 to the Tahsildar and sundry other officials but where is he to get the money from? Borrow it from Mr Naidu? Or the village money lender at 20 per cent interest? Even if he manages to get the land allotted in his name, how is he to get the working capital to buy seed, fertilizer and a pair of bullocks? For Murugappan remembers only too well that his landlord with more than 40 acres under the plough. had to borrow money for the various agricultural operations. In any case Murugappan's heart is not in cultivating his little piece of land. If he is thrown out he would rather make his way to Coimbatore, and manage to get a job as a millhand.

Although Mrs Gandhi says that the 'common man' is her first concern, it would appear that it is a species rarely to be found in Tamil Nadu and perhaps even in the other states.

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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

By Adopting the Finance Bill, the Lok Sabha this week completed its deliberations on the 1973-74 union budget. The Upper House approved the Appropriation Bill for the current financial year. It will take up the Finance Bill next week.

Moving the Finance Bill for the consideration of the Lok Sabha, the union Finance minister, Mr Y.B. Chavan, announced several tax concessions. The effect of these concessions, however, will be to reduce the revenue realisations of the central government by approximately two crores of rupees only. The deficit of Rs 85 crores envisaged while presenting the budget on February 28, therefore, would go up to Rs 87 crores.

benefit for farm incomes

Two of the concessions announced by Mr Chavan related to the scheme of partial integration of agricultural and non-agricultural incomes for income-tax purposes. The Finance minister announced that agricultural income-tax paid under the state laws would be allowed as a deduction in computing the net agricultural income for the above purpose. The other change effected in the budget proposals in this regard was that in cases where the aggregate of the agricultural and non-agricultural incomes exceeded Rs 15,000, the surcharge on income-tax on the net agricultural income as increased by Rs 5,000, would be calculated at the same rate as is applicable in respect of the aggregate income. This would benefit those assessees who have agricultural incomes exceeding Rs 10,000, provided their aggregate incomes do not exceed Rs 15,000 per annum.

Five changes were made by the Finance minister in the proposals regarding excise duties. These were:

(1) For the benefit of small manufacturers of blended or compounded lubricating oils, the exemption limit from the imposition of duty has been raised from 100 to 200 tonnes. Correspondingly, the other ceiling has been modified from 200 to 300 tonnes.

(2) Carbon black has been exempted from the 10 per cent ad valorem duty proposed in the budget. The pre-budget position, thus, has been restored in respect of this item.

(3) The smaller paper mills have been given a concession of up to nine paise per kg for the use of unconventional raw materials where the quantum of relief because of the slab exemptions already prescribed for clearances falls short of this amount.

(4) As a gesture of goodwill towards children and students who might derive pleasure or profit from the use of mechanical toys and kits, electric motors designed to work on a pressure not exceeding five volts have been exempted from the duty on these motors.

(5) The duty on glasswool manufactured by the hager process has been reduced to 20 paise per kg so as to ensure an overall equitable incidence of duty on glasswool. The advantage in favour of this glasswool by imposing on it the same concessional rate of duty as on the cheaper variety of glasswool has been removed.

important concessions

The important concessions announced by the Finance minister in regard to customs duties were:

(1) The import duty on black and white cinematographic films, both positive and negative, has been reduced from 50 paise to 30 paise per linear metre.

(2) The same concession has been extended to sound film negatives.

(3) The rates of duty on plastic materials coming under the GATT arrangement have been rationalised to bring them at par with the general rate of duty on other plastic materials.

(4) The duty on cellulose nitrate sheets, which are used in the manufacture of Jessore combs, has been brought down from 100 to 60 per cent ad valorem.

(5) The duty on high-density polythelene used in the manufacture of woven fabrics for polyethelene bags has been reduced from 100 per cent to 60 per cent ad valorem.

The Finance Bill was adopted by the Lok Sabha after incorporating the above concessions. The debate on the bill followed more or less the same pattern as the general discussion on the budget. A good deal of emphasis was placed on containing the prices spiral.

viable policy

In his reply to the debate, the Finance minister disclosed that a cell on fiscal policy had been set up in the department of Economic Affairs to work out details of a viable fiscal policy in the context of the objectives of the fifth Plan. The cell would study in depth the various aspects of taxation, including the possibility of making the tax structure more progressive, equitable, elastic and balanced in its overall social economic effects.

Mr Chavan rejected a suggestion by Dr V.K.R.V. Rao for the setting up of another taxation enquiry commission. He pointed out that the Wanchoo committee and the K.N. Raj committee had already gone into the question and their recommendations were before the government. Some recommendations of these committees had already been implemented. Action on the remaining recommendations would follow soon.

Referring to the rise in prices, the Finance minister recalled that his efforts at drawing up this year's budget was to see that, by and large, wage commodities—articles of mass consumption—were not affected too much. "We have tried to see that inflation is not allowed to run away. We have tried to put some sort of reasonable limit on it", he added. The situation in the recent past, he emphasised, had deteriorated not only because last year's drought had affected agricul

tural production, specially that of food, but also industrial output owing to a sizeable decline in the generation of hydel power.

The Rajya Sabha discussion on the Appropriation Bill was also marked by deep concern of members over spiralling prices. Despite the two Houses discussing separately the supersession of three senior-most judges of the Supreme Court by Mr A.N. Ray, who has been appointed the chief justice in succession to Mr S.M. Sikri, this issue too figured prominently in the discussion on the Appropriation Bill. The deteriorating law and order situation in various parts of the country was another important point made in this debate. Some members pleaded for raising the procurement prices of wheat so that the scheme of the take-over of wholesale trade in foodgrains could be made a success. The need for providing adequate resources for strengthening the defences of the country was stressed by many members. Several members called for a concerted action for tackling the problem of unemployment.

Replying to this debate, the minister of state for Finance, Mr K.R. Ganesh, shared the concern of members over the rise in prices of essential commodities. The efforts at strengthening the distribution system, he hoped, would meet the situation. He assured the House that the government was determined to overcome economic difficulties.

Referring to the recent judgement of the Supreme Court in the fundamental rights case, Mr Ganesh stated that the government would take proper action after considering this judgement in the context of its social-economic policies. A part of the judgement, he expressed the view, did not help the growth of the social-economic policy.

Opposition outcry

During the debates in the two Houses on the appointment of Mr A.N. Ray as the new chief justice of the Supreme Court, all the opposition members, excepting those belonging to the CPI, expressed the feeling that this appointment would undermine democracy in the country. They styled it as a "political appointment". The members belonging to the treasury benches and the CPI, however, generally supported the appointment.

The decision was stoutly defended by the minister of Law and Justice, Mr H.R. Gokhale, and the minister for Steel and Mines, Mr Mohan Kumaramangalam. They invoked the recommendation of the Law Commission that the senior-most judge might not be appointed as chief justice. This contention, of course, was strongly contested by the opposition members. Mr Kumaramangalam also asserted the right of the government to appoint judges and the chief justice of the Supreme Court taking into account their socio-economic philosophy and outlook. This observation was used by the opposition members to their advantage. They asserted that the government wanted to pack the Supreme Court with "committed judges". Denying that that was the aim of the government, Mr Gokhale clarified that the commitment expected was not to the ideology of the ruling party, but to the Constitution, including the directive principles which summed up the philosophy of the Constitution.

rupee pound link up

The decision of the union government to link the rupee informally with pound-sterling during the current international monetary crisis was defended at a meeting this week of the consultative committee of members of Parliament attached to the ministry of Finance. It was pointed out that as a sequel to this link, the value of the rupee had not declined in comparison with all currencies. On the contrary, it had appreciated vis-a-vis the dollar. The rupee-sterling link, it was emphasised, did not imply any reliance on Britain. This arrangement, on balance, had helped in minimising the effect of currency fluctuations on our export earnings.

The demand for partial decontrol of yarn was turned down by the Commerce minister, Prof. D.P. Chattopadhyaya, at a meeting of the consultative committee of Parliament attached to his ministry. Some members of this committee had suggested that coarse yarn of low counts upto 35 or 50 need not be controlled. The minister explained that it would not be judicious to decontrol an item which had been brought under control only recently. No doubt some difficulties were being experienced, the decontrol of yarn, he said, was not a solution. He disclosed that the state governments had sent in highly exaggerated estimates of their requirements of yarn. These added up to a staggering figure of 112 million kgs per month, whereas the availability was around 28 million kgs only. Even last year, he pointed out, when there was no crisis, the maximum yarn consumption in the country in any month did not exceed 34 million kgs.

The following important information was provided in the two Houses of Parliament this week by various ministers:

(1) There is no proposal to constitute a holding company for the National Seeds Corporation, the Central Warehousing Corporation and the State Farms Corporation. Such a holding company is not considered feasible as the functions of the three corporations are not similar.

(2) According to a tentative proposal, government mechanised farms are to be set up during the fifth Plan period in Madhya Pradesh, Uttar Pradesh, West Bengal, Andhra Pradesh, Gujarat and certain under-developed areas like Nagaland. Their locations would depend on the availability of land from the state governments.

(3) The revised land ceiling laws have already been enacted in 11 states—Andhra Pradesh, Assam, Bihar, Haryana, Jammu and Kashmir, Kerala, Madhya Pradesh, Punjab Rajasthan, Tamil Nadu and West Bengal. In the other states, this work is at different stages of the legislative process. In the guidelines issued to the state governments, it had been laid down that the revised ceiling laws should be enacted by December 31, 1972.

(4) The plea of the Burmah-Shell and Caltex for an increase of 17 cents per barrel in the price of their crude oil supplies, with effect from April 1, is still being considered by the government. The crude price for these companies had been fixed at $-1.48 per barrel. The international price now is much higher.

(5) The total crude requirements of the country at present are 22 million tonnes. The domestic output aggregates to about 7.5 million tonnes. The total estimated quantity of recoverable oil deposits in the country as on January 1, 1973, was about 114.3 million tonnes.

(6) Some countries have made preliminary inquiries from the government of India on the purchase of Gnats. The stage has not reached as yet when matters like the number of planes and the type to be sold can be discussed.

(7) A decision will be taken by the government very soon on the plea of the producers of aluminium for an increase in the controlled price of this metal.

(8) The task force of the Planning Commission on coal and lignite has estimated the demand for coal in 1978-79 at 143 million tonnes.

Overall view of British defence

Jossleyn Hennessy
London

WINDOW ON THE WORLD

I

European Security

THE IMPORTANCE of the recently published British White Paper on Defence is that it not only gives the government's estimates for defence spending in the year ahead but provides an interesting overall view of Britain's defence situation and the way in which British defence commitments are being discharged. When speaking in the House of Lords, the Defence Secretary, Lord Carrington, stressed that he had no dramatic announcement to make in the White Paper. "If I had," he said, "I should regard it as a confession of failure. We had enough sudden changes of policy in the 1960s, which did considerable damage to the Services. What we want now, and what we are having, is a period of stability to carry out the policy which we have set ourselves, and this it is my aim to secure". (House of Lords, (*Hansard*, Col. 764).

This year the Defence White Paper is set against the background of international developments which provide a fresh opportunity of finding ways in which the causes of tension and instability in Europe can be diminished. Last December multilateral preparatory talks began with a view to convening a conference on European Security and Co-operation later this year. Talks have also begun at the level of officials on Mutual Balanced Force Reduction. In addition, the Strategic Arms Limitation Talks between the Soviet Union and the United States have entered a second phase following the SALT Agreement reached in May of last year. Unless you believe that meeting around a conference table is the same as agreeing on solutions to real problems it is only reasonable to temper optimism in the face of these developments with a measure of caution, as did Lord Carrignton when the defence estimates were debated recently. He then said:

"No government wants to spend over 3,000 million a year on defence if security can be assured at lower cost. We can all think of other more attractive — and electorally more popular— ways of spending money. I am there all for detente, if by this we mean the establishment of a more relaxed relationship between the communist bloc and the rest of us, within which we would have enough mutual confidence to halve the competition in armaments and to collaborate in solving the formidable problems—social, economic, environmental—which beset us all wherever we live. But let us be sure before we relax our own defence efforts that this really is what Mr Brezhnev and the other Soviet leaders mean by detente. We must be satisfied that their objectives are not purely tactical, in the sense that they have concluded that instead of frightening NATO, as they have done for some time, it is better to lull us into a sense of false security.

"We cannot ignore the fact that, as we move into a period of negotiation in Europe, they continue to build up their military forces to a degree which seems to go beyond reasonable requirements of self-defence. In these circumstances I believe that while we must certainly pursue a policy of detente, we must do so with caution." (*Hansard*, Cols. 759-60).

era of negotiations

It would be much easier to take an unreservedly optimistic view of the possible outcome of east-west relations were there any evidence that the Soviet Union by slackening its own defence efforts is anticipating favourable results. But this is not so—and the White Paper, in a paragraph which deserves quotation at length, makes clear just how unresponsive Soviet defence policy is to the dawning of what President Nixon has called the "era of negotiations":

"The Soviet Union's defence expenditures, which absorb a much higher proportion of national resources than those of most of the NATO countries, continue to rise each year in real terms. The build-up of her strategic capabilities has continued over the last year, with 90 new silos under construction for intercontinental ballistic missiles (ICBM) and the completion of six new ballistic-missiles-firing submarines. The Soviet Union now has some 1,500 ICBMs, some 700 medium and intermediate range ballistic missiles about 60 operational ballistic-missile-firing submarines and some 300 attack and cruise missile submarines. Conventional forces of all the services have received large supplies of new weapons and equipment of high quality. Despite the substantial and still increasing military strength deployed on the border with China, there has been no decrease in Soviet forces facing NATO. There are at present some 94 Russian and other Warsaw Pact divisions in eastern Europe and another 129 divisions elsewhere in the Soviet Union.

The Soviet Union now has some 11,600 military aircraft widely deployed and a large air transport fleet. Its

naval forces, equipped with the most advanced weapons systems, have been deployed in increasing numbers throughout the world. Russian long-range aircraft are active over all the sea areas around the coasts of Europe and far out over the Atlantic and Pacific Oceans; on occasions they have also been seen in the Carribean Sea and the Indian Ocean." (White Paper. Comnd. 5231, Paragraph 4).

II

Defence Costs and Nuclear Policy

In the course of the House of Commons debate on the Defence White Paper, the Labour opposition moved an amendment expressing concern at the "sharp inflationary increase in defence spending" and calling on the government to take "urgent action within the Alliance to bring our defence spending in line with that of our European allies". Exactly what was intended by this recommendation was not made clear in the debate. If it meant that Britain should spend as much on defence as the other two major defence powers in Europe, France and West Germany, then this would imply an increase in Britain's defence spending, because West Germany has a larger defence budget than the UK while France spends about the same. But this was hardly in the minds of the Labour party's left wing campaigners for reducing defence spending. It looks as though what they had in mind was that Britain should reduce the percentage of Gross National Product spent on defence, currently 5.7 per cent, to the NATO average of 4.2 per cent. Why this should be the criterion is not clear, because the NATO *average* includes the spending of the smallest countries of the Alliance such as Denmark and Luxemburg. As Lord Balniel, minister of state of the Foreign and Commonwealth Office, said in his winding up speech in the defence debate.

"The criterion by which we should judge our defence and foreign policy effort depends not on the energy or lethargy of any particular ally at any given time. The criterion of the effort that we should make should be related to our assessment of the threat and the scale of the effort of any potential enemy." (*Hansard*, Col. 159).

To reduce defence spending to 4.2 per cent of GNP would mean cuts of the magnitude of 850 million in the defence budget. The international repercussions of such a policy would be lamentable at a time of delicate balance in NATO's defence situation. It would be the worst preparation for east-west negotiations of mutual force reductions and an almost certain guarantee of their failure, since the Soviet Union would see that reductions in NATO forces could be obtained without any concessions on its side. Moreover for Britain to aim at a unilateral reduction in its defence spending now would strengthen those in the United States who are calling for a reduced American military commitment. President Nixon has shown his determination to resist pressures for troop withdrawals but this naturally implies that the European allies continue to pull their weight. It was clear from his speech in the Commons debate that Mr Peart, the Shadow Defence Secretary, was alive to these considerations. His speech was remarkable for its almost total neglect of the amendment that had been tabled by his party. In short the House of Commons was witnessing yet another example of Labour party divisions being papered over by verbal formulae which can be interpreted by adherents of different points of view as they choose.

nuclear deterrent

In the past few weeks there has been an undercurrent of speculation about Britain's nuclear deterrent and certain decisions which the government may have made or, in the opinion of some, may have to make, in its replacement of the Polaris missile by its more advanced successor the Poseidon. Ministers have made clear that no decision of this kind has been made and, when interviewed in Washington in February, Mr Edward Heath, the prime minister, denied that the government was on the verge of a decision on this matter. In the House of Lords, Lord Carrington had this to say about Britain's nuclear defence policy:

"I am absolutely convinced that the Polaris force today is a deterrent which is effective and credible; and it is the intention of Her Majesty's government that it should remain so. Obviously, we have to look ahead and consider possible developments in defensive systems which might make it necessary to improve our own weapons. That is something which we keep under careful review, having regard, among other things, to the progress of the Strategic Arms Limitation Talks. In that connection, I want to make one thing abundantly plain: that as Britain is not a party to the Strategic Arms Limitation Talks, we reject absolutely any suggestion that our nuclear deterrent force is in any way subject to the SALT Agreement. The Americans understand and agree with this point of view. We are of course always looking at possible options for the future—the House will understand clearly if I do not go into details. When we need to do so, we shall decide whether any improvements in the Polaris force should be made, and if so, what they should be". *Hansard*, Col. 850).

III

Balanced Force Reductions

Exploratory talks on Mutual and Balanced Force Reductions (MBFR) opened in Vienna on January 31, 1973. It is hoped that if these are successful, substantive negotiations can begin later in the year. However, little progress has yet been made, largely because of disagreement over which states should participate in the talks with what status.

The NATO countries feel that the talks have the best chance of success if only those countries directly concerned with the defence of central Europe take part in them. Thus NATO has opposed both a Romanian demand for full membership of the conference (now withdrawn) and Soviet calls for the inclusion of France and Italy, who for different reasons have no desire to take a full part in the conference. On the other hand, NATO considers equally unacceptable the contradictory Soviet demand for Hungary to be excluded from active participation in the talks, since this would mean that the 40,000 Russian troops stationed in a country which is geographically indisputably in central Europe would escape the surveillance of the conference. The western powers would like there to be two types of participants—full 'deliberative' members, and 'consultative' members from the so-called 'flank' countries who would attend as observers on a rotating basis. At the time of writing it is uncertain what solution will be reached.

In his speech in the House of Lords, Lord Carrington spelt out some of the reasons which make talks on Mutual and Balanced Force Reductions (MBFR) a complex and difficult matter for western Europe:

"The difficulty, of course, with MBFR is that it will not be easy to negotiate an agreement that does not in practice work to the military disadvantage of NATO. The Warsaw Pact has an overwhelming superiority in conventional forces; NATO's manpower is out-

numbered by two to one in Central Europe; our tanks by four to one; our artillery by two and threequarters to one. Geography favours the Pact in terms of reinforcement capability; no forces, for example, redeployed to the United States under a reduction agreement could be made available in a crisis as speedily as those Russian forces redeployed from the central front to the Soviet Union. The Soviet Union could, moreover, mobilise with none of the inhibitions that constrain a western democracy. Finally, we must not forget that NATO's strength is closely tailored to its defensive strategy. The suit is already an uncomfortably tight fit, and there are limits to the extent that we can cut away the cloth before it begins to split at the seams". (*Hansard*, Col. 760).

These difficulties notwithstanding, Lord Carrington described the beginning of MBFR talks as "a highly significant development in the east-west dialogue. If we can get it right, we shall have taken a giant step in the cause of furthering peace not only in Europe but all over the world".

IV
Lord Carringtons visit to Asia

On January 21, Lord Carrington began a three-week Asian tour which took him principally to Australia, New Zealand, Malaysia, Singapore and Indonesia. The purpose of the tour was to visit British troops and installations in Asia and to discuss with the governments of the countries concerned political and defence issues in the area.

The Defence Secretary's visit occurred at a time of crucial change in south-east Asian affairs with the Vietnam cease-fire agreement opening the way, if not guaranteeing, a settlement of the region's most intractable problem. Of more particular concern was the hesitant attitude, which the newly-elected Labour government in Australia and New Zealand has been taking towards the continued participation of their countries in the Five Power Defence Agreement in south-east Asia. On this question Lord Carrington's conversations in Canberra and Wellington achieved notable success. Both governments confirmed their intention of honouring the terms of the five power agreement, the basis for which was laid in April, 1971, at a conference in London. The Australian government intends to withdraw its battalion and battery from the ANZUK brigade in about a year's time, but it will retain its naval and air contribution to the five power agreement and the logistic support elements given to the brigade. New Zealand is to maintain its present contribution consisting of a reduced battation and a squadron of aircraft. Regarding Britain's own attitude to the continuance of five power defence, Lord Carrington said in the Lords:

"While our partners do the same: we are determined to keep British forces in the area as long as they are wanted by the Malaysians and Singaporeans". (*Hansard*, Col. 764).

The elusive agreement

E. B. Brook
Vienna.

THERE IS MORE than a little introspection at this juncture in the Common Market, some of it resentful and some a trifle penitent with the aim of better attitudes in the future. For a long time, some 15 years, the Market has developed through the weaknesses of youth to the aggressiveness of adolescence and, now enlarged with three newcomers with histories and traditions very different to those of west and central Europe, faces the experience of maturity with many new constituents making for uncertainty, for friction and for a less unified and certain drive forwards.

The uncertainty and friction were sharply emphasized as the Market's Agricultural Ministers tried for the fourth time to reach agreement on new season's farm support prices. The ministers had three prolonged meetings, their last marathon breaking up on April 18. The chief points of contention arise over the price of milk — France wants a higher price than several other members, including Britain, are willing to concede—and over the prices of beef and corn.

The differences arise basicly from the very different types of farming pursued in the Market member countries. The French farmer, although there is a distinct move from the land to the towns, is a major factor in the national politics and the farm vote is essential to all but the communist and the most extreme left socialist parties. For this reason the French farmer, sometimes a very efficient cultivator but often an incredibly inefficient peasant of maddening conservatism, is a politically and economically cossetted creature who has pulled up the Common Market's farm prices regularly every year.

inefficient German

The German farmer, except in the middle German plains, is often a part-time operator and, in increasingly important Bavaria, is usually remarkably inefficient, working small plots and needing high prices for his products to offset the waste caused by inefficiency. Owing to their number, the small German farmers are, like their French contemporaries, a major factor in party and national politics. The Irish, specializing in dairy farming are, like the Danish, now on top of a remarkably profitable market whereas the British farmer does not need the high prices ruling on the continent and the British government, with a majority urban population to feed, is determined to get them down.

The emergence of the consumer in contradiction to the producer as a catalyst in Market politics is one the quieter but most compulsive results of the entry of Britain to the Market. While the highly efficient and economical Dutch — and slightly less efficient Belgian — farmer can take advantage of the French-dictated policies over farm prices the British neither can nor wish to do so because they have a far more politically vocal and assertive consumer market to serve. The American housewives' recent strike against high meat prices could be repeated in Britain but anyone who knows the self-indulgent and, in the matter of food, extravagant continental European realises it could not happen anywhere within the original Common Market or, for that matter, anywhere between Calais and the Urals. The British housewife is going to be a major factor in eventually compelling the Common Market to change its farm policy from price-support to one of income-support.

The French and the West German, because of the Bavarians, will fight to the last ditch for their supported farm prices which mean higher food prices every year to, mostly, the urban consumer. The French have sent to the farm ministers' discussions an aggressive negotiator, M. Chirac, to match West Germany's unyielding Bavarian Herr Ertl and Britain's cooler Mr Godber. But all these men know that the days when even the

quiescent (over food prices) French and German housewives will remain placid and the likelihood of their British and Danish counterparts accepting their politically self-seeking decisions are almost if not completely over. The point of consumer revolt is near at a time when everywhere mortgage costs are rising, housing steadily becoming more expensive, petrol costing ever more money and the possibility of being able to afford to buy really good food equally steadily receding because of its expensiveness.

The Common Market's mood of introspection has been revealed also by an official paper describing the disappointments and frustrations of the theoretical first stage of its economic and monetary union. The second stage of progress towards this union is due on January 1. Significantly, the commission has stressed, as a prime means for this type of union, the need to diversify the expenditure of the Common Market's budget away from its overwhelming predominance on agricultural price support. The Maket's Common Agricultural Policy eats up no less than 80 per cent of the Community's budget. If a greater degree of unity is to be achieved and not merely talked about far more money will have to be spent on employment and regional policies—an attitude heartily welcomed by Britain and Italy. The Common Market, for this purpose, will need far greater influence over its members' national budgetary policies, the disposition of surpluses and the floating of national loans. The continuing independent monetary float by Britain will be a major obstruction to Market economic and monetary union but British opinion appears to be hardening in determination to continue the £'s float since it relieves them of a major shackle to independent action.

The Common Market has also revealed its increasing sense of inadequacy, especially in taking significant action and in co-operation. The Market has for too long regarded itself as the arbiter of western Europe an attitude assisted by the conceding attitude of the European Free Trade Association (EFTA)—still very much in existence but scarcely ever mentioned. Other countries, Spain, Greece, Turkey, have remained outside the three organisations of Europe—the Market, EFTA and Comecon—and the Market has never had the grace to discuss its plans with them although what the Market proposed to do would obviously affect also non-members. The Market has tended to regard west European non-members just as much as automatic satellites as the Soviet Union is alleged to regard its associates in eastern Europe. The Market is now waking up to the fact that it is not the only legitimate spokesman for non-communist Europe. With some degree of shock the Common Markets—which has always looked across the Atlantic to see its critics—realizes that is is not universally beloved even in its own continent and, as a result, is gradually considering the possibility of offering others some service instead of appearing always to run the west European show for all and sundry.

The Market's enlargement admitting influences formerly quite alien to it, the recent adverse publicity attending the sale of half the stock of surplus butter to the Soviet Union at cut prices, the challenge posed by new policies from the USA and the near approach of world discussisons on commerce and currencies are inducing a little more hesitancy and modesty in the corridors of Brussels, Luxemburg and even possibly in Paris but it will take a long time and sustained pressure to convert this mood into a significant political attitude.

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MOVING FINGER

'Tricky Dick' has done it again. Or, has he? The US President, Mr Richard Nixon, has at last made a virtue of necessity and accepted presidential responsibility for what has came to be known as 'the Watergate affair'. But, at the same time, as was to be expected, he put his own interpretation on what this admission on his part would mean. That he should leave the White House in atonement for allowing the presidency to be involved or at least in failing to prevent the presidency being involved in illegal transactions designed to subvert the democratic process in his country is, of course, the last thing that would suggest itself to him; for, with Mr Richard Milhous Nixon, the pursuit of power for its own sake has always been a cold and carefully cultivated passion. Consequently, he proposes to discharge the responsibility he has accepted for the Watergate affair by setting himself up as the chief prosecutor of the errant or the guilty. If in the process the men, who have served him not wisely but too well, are to have their public life ruined or personal careers destroyed, their boss, whom they sought to benefit by their misdemeanour, would no doubt shed a bitter tear as the Carpenter did on a famous occasion and proceeded to wipe his eyes on the Wulrus' whiskers.

The basic issue in the Watergate affair, which is currently rocking US politics, is not whether Mr Nixon will survive the scandal with honour or without, but whether any people, genuinely dedicated to democracy, could put up with political corruption and sharp practice on this Watergate scale on the part of their rulers. It goes to the credit of the great American public and its leaders of various political complexions that they have stood up firmly and said that they would not allow their polity to be perverted by power-hungry politicians with an eye only for the main chance.

It must be said in fair- ness to Mr Nixon that he is not the one who invented this kind of politics or politicians. Right now, in our own country, we have in power a tribe of self-seekers which does not have to take lessons from the Nixon school in the art and science of political corruption or the techniques of political sharp practice. Our national tragedy is that the electorate is not sufficiently educated politically to catch up with these extremely artful dodgers who have been manipulating its moods at their will. Writing in *The Indian Express* of May 4, Mr E.P.W. da Costa, Director, Indian Institute of Public Opinion, has analysed the results of a popularity poll of Indian political leaders conducted by that institute and come to the conclusion that Mrs Indira Gandhi's image is sliding down a declining trend of popularity. He seems to believe that the results of the coming elections in Uttar Pradesh and Orissa would carry this trend further. If I were a praying person, I would be furiously turning the prayer wheel for the vindication of Mr da Costa's poll findings.

On May I, the newspa- pers carried a UNI report that the government of India had decided to import additional quantities of foodgrains to the extent of from six million to seven million tonnes in order that the country could be helped to tide over the fast deteriorating food situation. On the following day, Mr Fakhruddin Ali Ahmed, central minister for Agriculture, told newsmen in the capital that the government had not taken any decision to import foodgrains in addition to the two million tonnes contracted for a few months ago. He added, however, that the governmcnt was keeping a close watch on the food situation in the country and had an open mind on the question of additional imports.

The prime minister, meanwhile, has resorted to her own unique way of dealing with such matters. Speaking in Kanpur the other day, she described as false and misleading reports in the press that the government would import seven million tonnes of foodgrains. She also expressed the view that such reports were being spread deliberately and with ulterior motives. The presumption, I suppose, must be that the story was planted on the UNI by politicians of the Jana Sangh or the other Congress acting, naturally, in collaboration with, if not at the behest of, the agents of the CIA. I wonder whether the prime minister did have the time or the patience to read the UNI report in full. This report had specifically attributed information about additional foodgrain imports to "Agriculture ministry sources". I would like to bring this reference to the Agriculture ministry to the prime minister's attention. Quite obviously, a grave situation obtains in that ministry. It is clear that the agents of rcaction have succeeded in establishing in this ministry and under the very nose of Mr Fakhruddin Ali Ahmed and Mr A.P. Shinde a nest of counter-revolutionary spies and saboteurs having links perhaps with reactionaries such as the superseded judges of the Supreme Court.

The prime minister, in her Kanpur speech, asserted also that reports about the government intending to import large quantities of foodgrains were calculated to cause damage to our national interest. I confess I am unable to follow Mrs Gandhi's logic. Even assuming that reports of the government of India being likely to make large purchases of grain abroad might make sellers in foreign countries bullish, would it not also be true that, by the same token, these reports should have a healthy impact on the domestic market? In other words, the possibility of the government importing substantial quantities of foodgrains should facilitate its domestic procurement operations by discouraging unhealthy speculation among the larger farmers or other trading interests. But then, what bothers Mrs Gandhi, presumably, is her government's or rather her image abroad. Among the many masks her regime wears in turn is the mask of instant self-sufficiency in foodgrains. It is of the utmost importance, evidently, that appearances must be kept at any cost or at least as long and as far as possible.

In the main leading arti- cle in this issue, there is a reference to an editorial by *The Hindustan Times* of May 2, which criticised rather harshly Mr Hegde's statement on his resignation. On May 4, this newspaper expressed itself equally pungently on the performances of Mr Kumaramangalam and Mr Gokhale during the discussion in the Lok Sabha on the appointment of the new chief justice. Whether this second editorial proves the point made in our leading article that *The Hindustan Times* might have been in a better position to view Mr Hegde's observations in perspective had it held its pen until the debate in the Lok Sabha had taken place, or not, it has at least served to put the record straight so far as this newspaper's editorial policy is concerned.

VB

TRADE WINDS

General Insurance in 1970

THE NET premium income in India in all classes of general insurance business of Indian insurers, including the Life Insurance Corporation of India, increased to Rs 83.90 crores in 1970 from Rs 73.22 crores in 1969. The premium income for 1970 included Rs 30.64 crores earned from fire insurance, Rs 14.41 crores earned from marine insurance and Rs 38.85 crores from miscellaneous insurance business. These figures are given in the Indian Insurance Year Book 1971. In the case of non-Indian insurers, the net premium income in India in all classes of general insurance business increased from Rs 18.12 crores in 1969 to Rs 19.13 crores in 1970. The non-Indian insurers earned in 1970 Rs 8.25 crores from fire insurance, Rs 4.94 crores from marine insurance and Rs 5.94 crores from miscellaneous insurance business. The total net premium income outside India of Indian insurers increased to Rs 36.14 crores in 1970 from Rs 33.25 crores in 1969. In 1970, Rs 15.29 crores related to fire, Rs 6.13 crores to marine and Rs 14.72 crores to miscellaneous insurance business.

The index number of general insurance business in India (base year 1961) recorded a rise of 12.5 in 1970 as against an increase of 14.4 in 1969. The Year Book shows that on December 31, 1971, there were 107 insurers registered under the Insurancs Act, 1938 for transacting one or more classes of general insurance business. Of these, 64 were Indian and 43 non-Indian. The total assets of the Indian insurance (excluding Life Insurance Corporation of India) as on December 31, 1970, amounted to Rs 218 crores. The total assets in India of the non-Indian insurers as on December 31, amounted to Rs 35.41 crores.

Location of Additional Shipyards

Six locations are under consideration for setting up additional shipyards in the country. These are at Paradip (Orissa), Tuticorin (Tamil Nadu), Karwar (Mysore), Marmugao (Goa state), Nhava-Sheva (Maharashtra) and Tapti (Gujarat). A techno-economic working group has been set up by the ministry of Shipping and Transport under the chairmanship of Brig. O.P. Narula, Development Adviser to the ministry. Mr. R.P. Chitra of the Hindustan Shipyard Ltd will be its secretary. Other members of the working group, which was expected to submit its report within six months from this date, will include a representative of the ministry of Finance, a technical representative of Hindustan Shipyard Ltd and Mr S. Kasthuri, general manager, Cochin Shipyard Limited.

Delhi Transport Corp.

An 11-member board of the Delhi Transport Corporation has been constituted by the ministry of Shipping and Transport under the chairmanship of Mr Baleshwar Prasad, Lt. Governor of Delhi. Mr. C. B. Jain will be the Vice-Chairman of the corporation. Other members of the board are Messrs N.R. Reddy, Joint Secretary, ministry of Shipping and Transport; Y. Krishan, Joint Secretary, ministry of Finance; Gorakh Ram, Director of Transport, Delhi Administration; R. P. Vaish, General Manager, Delhi Transport Corporation; Inder Singh Azad, Member, Delhi Metropolitan Council; M.W.K. Yusufzai, President, New Delhi Municipal Committee; A.N. Chawla, Member' Lok Sabha; Professor Sumer Chand and Balraj Khanna, Member, Delhi Municipal Corporation.

Railways to Carry Food

The railways have been geared up to meet all demands for foodgrain movement in full, on a war footing, during May and the ensuing months. After consultation with the authorities concerned, the Railways have planned for foodgrain movement to the extent of 1,200 broad gauge wagons and 180 metre gauge wagons a day. This will meet the demand for foodgrain movement in full and on time. As and when foodgrain stocks are gradually built up by the Food Corporation of India at different loading centres, the railways will simultaneously step up the movement of foodgrains.

In the last ten days of April, 75 special trains carrying foodgrains were planned to be moved to different states on the basis of expected arrival of stocks at the loading centres. Of these, 64 trains were despatched on the broad gauge and four on the metre gauge. Plans for moving the remaining seven special trains did not materialise because of lack of adequate stocks at the loading points. Of the 68 trains each carrying about 1,600 tonnes of foodgrains, 16 went to Maharashtra, 12 each to Rajasthan and Assam and 11 to West Bengal. The despatches to other states were Delhi 5, Gujarat 3, Jammu & Kasmir, Goa, Kerala and Orissa two each and Bihar one.

Indo-UK Development Programme

A suggestion for Indo-UK Joint Development Programme came up for discussion in the meeting between the British minister for Industry. Mr Tom Boardman, and Prof. D.P. Chattopadhyaya, the union Commerce minister recently. Both ministers also discussed UK's trade relations with developing countries in the changed context of UK's entry into EEC. The British minister hoped that UK's trade relations specially with Commonwealth countries would not be effected. He also hoped that in the EEC the UK would look into the interests of the developing countries. The British minisetr pointed out that he was highly impressed by the progress India has made. Prof. Chattopadhyaya expressed his concern regarding fall in exports to the UK. The problem of tariff on jute and coir with the UK's entry into EEC also came up for discussion. The Commerce minister expressed the hope that the UK's presence in EEC will be of help to India in negotiations with the Community.

Awards for Export Performance

The ministry of Commerce have announced awards for outstanding performance in the field of exports for 1969-70. The nine winners of the awards are : Messrs Banaras Art House Limited New Delhi; Bank of India, Bombay; Messrs. Chemco Supply Corporation, Bombay; Messrs. Esmario Export Enterprises, Quilon; Messrs Gedore Toois (India) Private Limited, New Delhi; Messrs Kamani Engineering Corporation Limited, Bombay; National Mineral Development Corporation Ltd, Hyderabad; Messrs Nava Bharat Enterprises (P) Limited, Guntur, and Messrs Tata Exports Limited, Bombay. On the recommendations of the selection committee 30 winners of certificates of merit have also been announced. They are: Messsrs Atlas Copco (India) Private Limited, Bombay; Messrs Caprihans (India) Pvt Ltd, Bombay; Messrs Chandra Industries, Bombay; Messrs Cochin Company Pvt. Limited, Ernakulam, Cochin; Messrs Colour Chem Ltd Bombay; Messrs E. Hill & Co. Pvt. Ltd. Mirzapur;

Messrs Fancy Dyeing & Printing Works, Farrukhabad; Handloom Export Promotion Council, Madras; Messrs Hansa Agencies, Jullundhur city; Messrs Hoechst Dyes & Chemicals Ltd, Bombay; Indian Jute Mills Association, Calcutta; Indian Oil Corporation Ltd, Bombay; Messrs Industrial Trading Co., Bombay; Messrs Jg. Glass Industries Pvt Ltd, Poona; Messrs Kashmlri Lall Kasturilal & Co., Amritsar; Messrs Lohia Jute Press Pvt Ltd, Calcutta; Messrs Madura Mills Co. Ltd, Madurai; Maharashtra Small Scale Industries Development Corporation Ltd, Bombay; Messrs Nagesh Hosiery Mills, Ludhiana; Messrs P. Mittulaul Lalah & Sons, Madras; Messrs Peirce Leslie India Ltd, Calicut; Messrs Precious Industries, Bombay: Messrs Radha Silk Mills, Bombay; Messrs Sudarshan Chemical Industries Pvt. Ltd, Poona; Messrs T. Abdul Wahid & Co., Madras; Messrs Tata Finlay Limited, Banglore; Messrs The Indian Textiles Co. Pvt Ltd, Calcutta; Messrs V.N. Surulivel Nadar & Bros, Bodinayakanur (Tamil Nadu); Messrs Vijayalaxmi Cashew Co., Quilon, and Messrs Walkey Anjaria & Sons Private Ltd, Jamnagar.

Engineering Team for Latin America

A nine member delegation led by Mr Raunaq Singh, Chairman Engineering Export Promotion Council, will be visiting Latin American countries shortly to explore the possibilities of export of engineering goods and prospects of joint ventures in third countries. Mr Raunaq Singh told newsmen that the delegation was a follow up of the mission sent last year by the Projects and Equipment Corporation. He said the delegation would be taking with it 51 proposals for sale of specific products and 16 proposals for joint ventures. The more promising areas for collaboration, according to him, were power generation and distribution equipment, textile, sugar and cement plants, machine tools, light engineering items such as electric fans, sewing machines and bicycles. Opportunities for joint ventures existed in Peru, Colombia and Equador. The present level of India's export to Latin America and the Caribbean islands is very small, not exceedlng Rs 60 lakhs. The target for 1973-74 is Rs 1.50 crores to be stepped up to Rs 16 crores by the end of the fifth Plan.

Railway Delegation for Iraq

A three-man railway delegation left New Delhi recently for Baghdad to conclude an agreement with the government of Iraq for carrying out an economic study for the 530 km, long railway project from Baghdad to Akasa via Hshaibah. The agreement will also cover a feasibility cum cost study for the portion of the project between Hshaibah and Akasa, a distance of about 130 km. Akasa is the centre of phosphate mining in Iraq. The delegation, which has been sent at the request of the Iraqi government is led by Mr M. Menezes, Director Research in the research, designs and standards organisation of the Indian railways. The other members are Mr Shahid Ali Khan, Additional Director, coal transport and Mr Kapoor Chand, Joint Director, Finance in the Railway Board.

Air India

Air India incurred, according to a provisional estimate, a loss of Rs 1.34 crores in 1972-73, compared to a loss of Rs 1.66 crores in the previous year. The total loss incurred by Air India during the last two years amounting to Rs 3 crores represents only 16 per cent of the total turnover of Rs 182 crores in this period. Mr J. R. D. Tata, Chairmen, Air India, stated recently that the corporation expected to make a gross operating profit of about five crore rupees in 1972-73 compared to Rs 78 lakhs in the previous year. The operating profit was arrived at after providing depreciation of Rs 9.27 crores but before interest on dollar loans and 50 per cent loan capital from the government. Mr Tata pointed out that after charging Rs 4.9 crores of interest on dollar loans which were raised for acquiring new aircraft, the net profit would amount to Rs 10 lakhs, that is, before paying interest of Rs 1.44 crores in 1972-73 to the government.

Indo-American Chamber Exhibition

The Indo-American Chamber of Commerce in co-operation with the embassy of United States of America in New Delhi sponsored an exhibition for distributors of foreign machinery recently. The exhibition opened up a new world of possibilities for agents and distributors of agriculture and irrigation equipment. It also provided opportunities for manufacturers who are interested in collaborations. On display were calalogue of US manufacturers of farm and irrigation equipment. The exhibition remained open for two days, May 3 and 4, 1973.

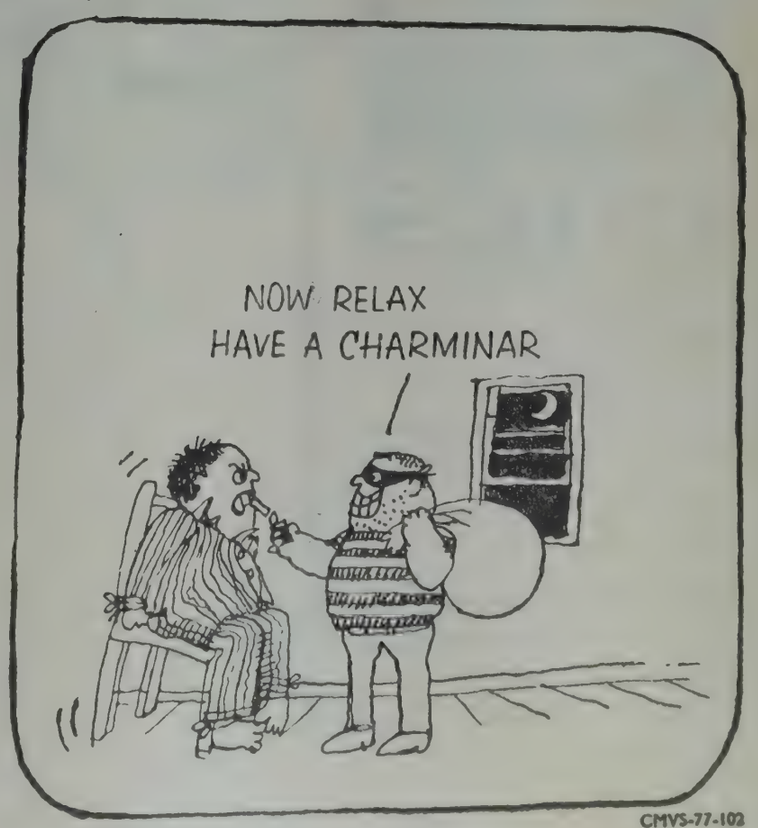
AIMO

Mr Rama Agarwal was unanimously elected President of the All-India Manufacturers' Organization for 1973 at the first Central Committee meeting of the organization in New Delhi on May 6. The other office bearers elected are: Vice Presidents: Mr S. K. Somaiya (Bombay and Maharashtra); Mr P. S. Kalani (Western Region); Mr C. B. Aggarwal (Northern Region); Mr K.V. Srinivasan (Southern Region); and Mr I. P. Poddar (Eastern Region) Mr H. K. Ghose was elected honorary General Secretary, Mr D. P. Birla the honorary Treasurer, and Mr Anwar Divecha and Mr S. P. Mandelia honorary secretaries.

Names in the News

Mr A. R. Burton, General manager, south Asia of Trans World Airlines has been elected President of the Indo-American Chamber of Commerce at its fourth annual general meeting held recently.

Also **M/s. Kisan Mehta, W. Williamson, L. L. Narayan and Harish Mahindra** have been elected vice-presidents.



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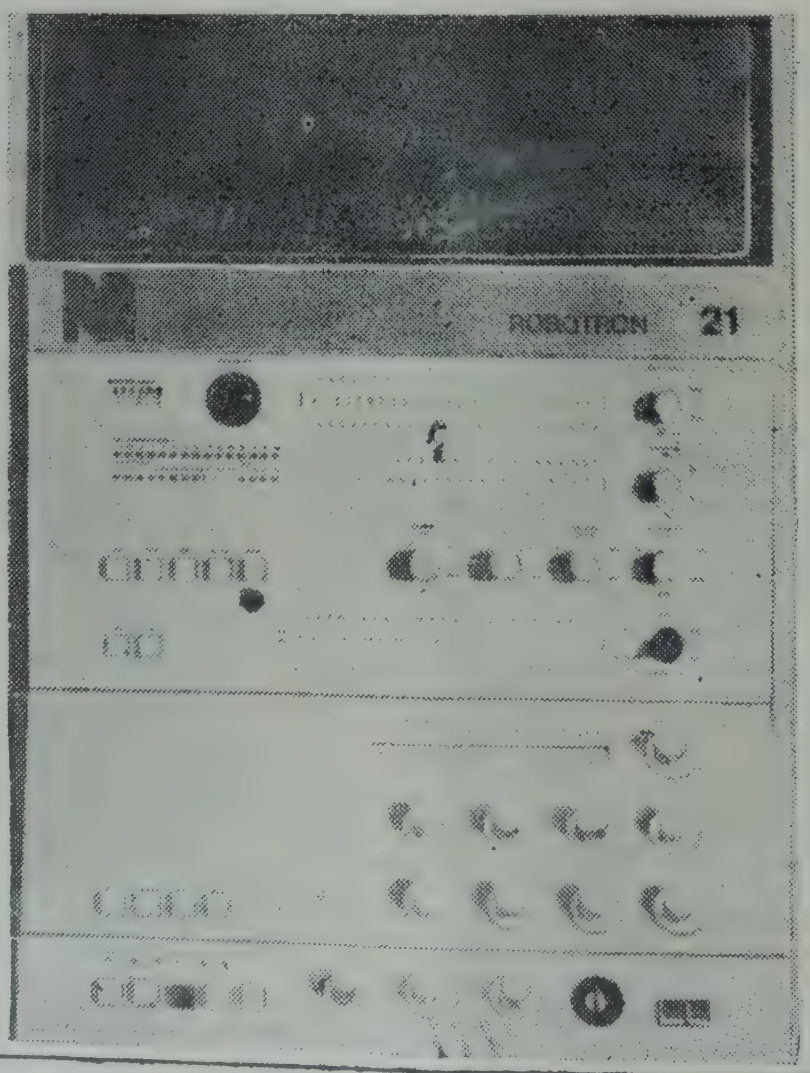
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Directors' Report

for the year ended 31st December, 1972.

(To be submitted to the Shareholders at the 30th Annual General Meeting to be held at the Registered Office of the Company at Clock Tower, Udaipur n Thursday, the 10th day of May, 1973 at 2.30 P.M.).

The Directors have pleasure in submitting the thirtieth Balance Sheet and Annual Accounts of the Bank as at 31st December, 1972 and the Profit nd Loss Account for the year ended on that date together with the Auditors' Report.

apital & Reserves

During the year under report, a sum of Rs. 4,96,000/- was received towards the share capital raising the paid-up capital of the Bank to Rs. 30,00,000/-.

After transfer of Rs. 3,61,100/- to Reserve Fund under Section 17 of the Banking Regulation Act, 1949 and Rs. 60,570/- to other Reserves, the total Reserves of the Bank, including Development Rebate Reserve and Share Premium amount, have risen to Rs. 31,68,650/-.

Vorking Funds

The Working Funds of the Bank have risen to Rs. 32,98,71,876.15 as compared to Rs. 27,62,63,871.07 of the last year.

)eposits

The Deposits of the Bank have increased, during the year, by 18.8% to a record figure of Rs. 29,31,32,072.38 which are more by Rs. 4,65,57,008.99 s compared to the figures of the last year. The total number of deposit accounts, have also increased from 1,33,528 to 1,49,312 during the year 1972.

iquidity

The liquid assets of the Bank (Cash in hand, Balances with Banks, Money at Call and Short Notice and Investments) as on 31st December, 1972 were 3.8% of the Bank's total liabilities as compared to 31.7% of the Scheduled Banks in India.

nvestments

The total Investments of the Bank amounted to Rs. 7,96,46,833.71 of which 98.8% was invested in Government and other trustee securities. 53.9% f our Investments mature within the next ten years.

dvances

The total advances, including Bills purchased and discounted as on 31st December, 1972 stood at Rs. 18,04,79,722.68 which were 61.5% of our otal deposits as on 31st December, 1972. The credit-deposit ratio has been lower this year as compared to the last year on account of general reduction in ne demand for credit in the second half of the year under report due to insufficient rains, resulting in failure of Kharif Crop. Our advances to priority ectors (i.e. Agriculture, Small Scale Industries, Retail trade and other neglected sectors) amounted to Rs. 1,28,61,000/- as compared to Rs. 1,26,52,000/- or the year ended 31st December, 1971.

ranches

During the year under review, we opened 13 branches at Bigod (Distt. Udaipur), Malviya Nagar Jaipur (Distt. Jaipur), Jaswantgarh (Distt. Nagaur), nadol (Distt. Udaipur), Kuraj (Distt. Udaipur), Mandi Rajendra Nagar (Distt. Jhalawar), Manoharpur (Distt. Jaipur), Nimbahera (Distt. Chittorgarh), ur (Distt. Bhilwara), Raila (Distt. Bhilwara), Sanderao (Distt. Pali) all in Rajasthan, Balsamand (Distt. Hissar) in Haryana and Ghaziabad (Distt. Meerut) U.P. After 31st December, 1972 and upto the date of the report, we have opened one more branch at New Rohtak Road, New Delhi (Union Territory), ising the total number of branches to 95. We propose to open atleast ten more offices during the current year.

rofit and its appropriations

The net profit of the Bank for the year under review, was Rs. 18,05,020.00 as against Rs. 18,49,780.82. After adding thereto, a sum of Rs. 6,063.24, ought forward from the previous year, a sum of Rs. 18,11,083.24 is available for appropriations. After making the following appropriations.

To Reserve Fund under section 17 of the Banking Regulation Act, 1949	Rs. 3,61,100.00
To General Reserves	Rs. 60,570.00
To Provision for Income-tax	Rs. 3,00,000.00
	Rs. 7,21,670.00

The Directors now recommend to declare a dividend @ 13% p.a. on the paid-up amount of shares pro rata (subject to tax) which will absorb a sum of s. 3,69,509.56 leaving a balance of Rs. 7,19,903.68 to be carried forward subject to payment of bonus.

irectors

Major Dault Singhji, a director on the Board, tendered his resignation during the year under report which was reluctantly accepted by the Board. The oard places on record its deep sense of appreciation for his very valuable guidance given to the Bank during the tenure of his directorship.

In accordance with Article No. 119 of the Articles of Association of the Bank, Shri Shiv Kumar Ji Mansinghka retires from the Board of Directors y rotation and being eligible, offers himself for re-election.

ppointment of Auditors

The Shareholders are requested to appoint Auditors for the current year and to fix their remunerations. Under Section 30 (1A) of the Banking Regu- tion Act, 1949, every Banking Company is required to obtain the previous approval of the Reserve Bank of India, before appointing the Auditors. An pplication is being made to the Reserve Bank of India for approval to the re-appointment of the retiring auditors.

The Directors are thankful to the Shareholders, Government of Rajasthan and the customers of the Bank for their continued patronage. They also ank the officers and the staff of the Bank and place on record their appreciation of the services rendered by them.

By order of the Board
S. D. MEHRA
Chairman

ipur
ated 30th March, 1973.

The Bank of

Balance Sheet as at

1971 Rs. P.	CAPITAL AND LIABILITIES			Rs. P.	1972 Rs. P.
	1. Capital :				
40,00,000.00	Authorised Capital 40,000 Shares of Rs. 100/- each	...	...	40,00,000.00	
30,00,000.00	Issued Capital 30,000 Shares of Rs. 100/- each	...	...	30,00,000.00	
30,00,000.00	Subscribed Capital 30,000 Shares of Rs. 100/- each	...	...	30,00,000.00	
	Paid-up Capital :				
25,04,000.00	30,000 Shares of Rs. 100/- each, fully paid up	...	...	30,00,000.00	30,00,000.00
25,04,000.00					
	2. Reserve Fund and Other Reserves :				
20,54,000.00	Reserve Fund under Section 17 of Banking Regulation Act, 1949	...	...	24,15,100.00	
6,78,000.00	Other Reserves	...	...	7,47,000.00	
10,430.00	Development Rebate Reserve	...	...	2,000.00	
4,550.00	Share Premium Account	...	...	4,550.00	31,68,650.00
27,46,980.00					
	3. Deposits and Other Accounts :				
13,79,99,831.70	Fixed & Call Deposits	...	...	16,52,45,237.67	
5,80,90,993.64	Savings Bank Deposits	...	...	6,81,88,526.53	
5,00,79,288.77	Current Accounts, Contingency (Unadjusted)	...	...	5,92,56,676.90	
4,04,949.28	Staff Security Deposits	...	...	4,41,631.28	29,31,32,072.38
24,65,75,063.39	(Deposited with this Bank itself being a Scheduled Bank)				
	4. Borrowings from other Banking Companies, Agents etc. :				
33,17,004.05	(*i*) In India	...	...	73,37,937.41	
Nil	(*ii*) Outside India	...	...	Nil	
	Particulars :				
1,25,000.00	(*i*) Secured (Government Securities)		...	1,52,570.21	
31,92,004.05	(*ii*) Unsecured (From the Industrial Development Bank of India under Refinance Scheme against rediscounting of Bills as per contra	...	...	59,05,367.20	
Nil	(*iii*) By way of Call Deposits from Banking Companies	...	...	12,80,000.00	73,37,937.41
33,17,004.05					
86,08,529.57	**5. Bills Payable :**				1,03,92,277.52
	6. Bills for Collection being Bills receivable as per contra :				
1,91,94,107.84	(*i*) Payable in India	...	...	2,08,24,872.14	
58,584.55	(*ii*) Payable outside India	...	...	1,02,106.83	2,09,26,978.97
1,92,52,692.39					
	7. Other Liabilities :				
25,586.66	(*i*) Unpaid Dividends				
21,46,686.09	(*ii*) Provision for Income Tax	...	...	26,789.44	
Nil	(*iii*) Bonus to Staff	...	...	10,93,938.07	
26,351.05	(*iv*) Staff Benefit account	...	...	Nil	
68,71,640.67	(*v*) Branch adjustments	...	...	38,378.05	
24,19,389.77	(*vi*) Sundry Creditors Account	...	...	79,99,044.35	
9,777.95	(*vii*) Unexpired Discount	...	...	25,03,240.44	
1,00,000.00	(*viii*) Provision for staff training	...	...	40,135.25	
1,15,99,432.19		...	...	50,000.00	1,17,51,525.60
1,49,46,712.15	**8. Acceptances, Endorsements and Other Obligations per contra :**	...	...		1,56,02,186.66
	9. Profit & Loss :				
2,48,081.05	Balance of last year's profit after appropriations				
2,20,000.00	*Less*—Dividend for 1971	...	...	9,12,861.87	
28,081.05	Bonus for 1971	2,66,798.63			
		6,40,000.00		9,06,798.63	
				6,063.24	
30,95,50,413.74					
	Total carried over	...	...		36,53,11,628.54

Rajasthan Ltd.

31st December, 1972

1971 Rs. P.	PROPERTY AND ASSETS			1972 Rs. P.	Rs. P.
2,18,24,734.09	1. **Cash :** In hand and with Reserve Bank of India and State Bank of India	...	.		1,67,71,718.03
1,17,59,770.64	2. **Balances with other Banks on Current Account :**				
Nil	(*i*) In India	...	...	1,16,84,915.16	
	(*ii*) Outside India	...	...	Nil	1,16,84,915.16
1,17,59,770.64					
1,50,75,000.00	3. **Money at Call & Short Notice :**	...	...		3,14,55,000.00
	4. **Investments :** (At or below market value)				
6,31,41,544.64	(*i*) Securities of the Central and State Govts. and other Trustee Securities (Face value Rs. 8,09,74,321/-)	...	...	7,86,95,521.21	
Nil	(*ii*) Treasury Bills of the Central and State Governments	...	...	Nil	
10,000.00	(*iii*) Fully paid preference shares	...	...	10,000.00	
23,000.00	(*iv*) Fully paid equity shares	...	...	23,000.00	
2,00,000.00	(*v*) Partly paid equity shares	...	...	2,00,000.00	
4,19,612.50	(*vi*) Debentures or Bonds (Face value Rs. 6,25,000/-)	...	...	6,18,312.50	
	(*vii*) Other Investments :				
50,000.00	(*a*) Initial Capital in Unit Trust of India	...	...	50,000.00	
50,000.00	(*b*) Units of the Unit Trust of India	...	...	50,000.00	
Nil	(*viii*) Gold		...	Nil	7,96,46,833.71
6,38,94,157.14					
	Notes— (*i*) Reserve Bank of India has a lien on securities of the face value of Rs. 3 lacs on account of guarantees given on behalf of constituents. (*ii*) State Bank of India has a lien on securities of the face value of Rs. 2.5 lacs on account of Letter of Credit given on behalf of constituents.				
	5. **Advances :** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors.)				
	(1) Loans, Cash Credits, Overdrafts etc				
10,47,18,108.29	(*i*) In India	...	...	12,88,30,855.97	
Nil	(*ii*) Outside India	...	...	Nil	
	(2) Bills discounted and purchased (excluding treasury bills of the Central & State Govts.)				
5,17,78,868.43	(*i*) Payable in India (includes bills rediscounted by the Industrial Development Bank of India under Refinance Scheme to the extent of Rs. 59,05,367.20 as per contra)	...	...	5,16,19,320.65	
1,45,923.93	(*ii*) Payable outside India	...	...	29,546.06	18,04,79,722.68
15,66,42,900.65					
	Particulars of Advances :—See Separate statement annexed.				
	6. **Bills Receivable being Bills for Collection as per contra :**				
1,91,94,107.84	(*i*) Payable in India	...	...	2,08,24,872.14	
58,584.55	(*ii*) Payable outside India	...	...	1,02,106.83	2,09,26,978.97
1,92,52,692.39					
1,49,46,712.15	7. **Constituents Liabilities for Acceptances, Endorsements and Other Obligations per contra :** ...				1,56,02,186.66
	8. **Premises Less Depreciation :**				
11,42,958.46	Total cost as on 31-12-71	...	...	12,48,980.95	
1,06,358.99	Additions during the year	...	...	3,98,571.75	
12,49,317.45	(includes Rs. 4,19,036.38 under construction)	...	...	16,47,552.70	
336.50	*Less*—written off	...	...	Nil	
12,48,980.95				16,47,552.70	
1,46,201.31	*Less*—Depreciation as per last Balance Sheet	Rs.	1,71,506.09		
25,304.78	Depreciation during the year	Rs.	25,055.54	1,96,561.63	14,50,991.07
1,71,506.09					
10,77,474.86					
	9. **Furniture & Fixtures Less Depreciation**				
26,04,797.82	As per last Balance Sheet	...	...	32,31,399.67	
6,53,818.08	Additions during the year	...	...	7,79,820.90	
32,58,615.90				40,11,220.57	
27,216.23	*Less*—Sale/Written off during the year	...	...	45,879.17	
32,31,399.67				39,65,341.40	
30,44,73,441.92	Total carried over	...			35,80,18,346.28

The Bank of

Balance Sheet as at

1971 Rs. P.	CAPITAL AND LIABILITIES		Rs. P.	1972 Rs. P.
	Brought Forward	... ...		36,53,11,628.54
30,95,50,413.74			18,05,020.00	
18,49,780.82	*Add*—Profit for the year brought from Profit & Loss Account	... ...	18,11,083.24	
18,77,861.87				
	Less—Appropriations :			
3,70,000.00	Reserve Fund under Sec. 17	3,61,100.00		
70,000.00	Other Reserves	60,570.00		
4,25,000.00	Provision for Income Tax	3,00,000.00		
1,00,000.00	Provision for Staff Training	Nil	7,21,670.00	10,89,413.24
9,65,000.00				
9,12,861.87				
	10. Contingent Liabilities :			
26,467.83	(*i*) Claims against the Banking Company not acknowledged as debts	... ...	19,957.47	
	(*ii*) Money for which the Banking Company is contingently liable—			
	Guarantees given by the Banking Company on behalf of :			
Nil	(*a*) Directors or Officers	... ...	Nil	
1,44,80,385.94	(*b*) Others	... ...	1,46,21,494.01	
Nil	(*iii*) Arrears of cumulative preference Dividend	... ...	Nil	
Nil	(*iv*) Liability on bills of exchange rediscounted	... ...	Nil	
2,00,000.00	(*v*) In respect of partly paid shares	... ...	2,00,000.00	
	Notes—(1) Provision to the full extent for future gratuity to staff has not been made. (amount unascertainable).			
	(2) Bonus is to be appropriated out of carried forward balance of profit.			
	(3) Provision for Income-tax has been made after considering Bonus.			
31,04,63,275.61	Grand Total			36,64,01,041.78

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the annexed Balance Sheet of the Bank of Rajasthan Limited, Udaipur as at 31st December, 1972 and the annexed Profit and Loss Account of the Bank for the year ended on that date in which are incorporated the returns of 10 branches audited by us and 84 branches a udited by other Chartered Accountants. In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions to Sub-section (1) and (2) of Section 211 and Sub-section (5) of Section 211 and Section 277 of the Companies Act, 1956, the Balance Sheet and Profit & Loss Account are not required to be and are not drawn in accordance with the sixth schedule of the Companies Act, 1956. The accounts are therefore drawn up in conformity with forms A and B of the Third Schedule to the Banking Regulation Act, 1949. We report that :—

(*a*) we have obtained all the informations and explanations which, to the best of our knowledge and belief, were necessary for the purpose of audit and have found them to be satisfactory;

(*b*) the transactions of the Bank which have come to our notice, have been within the powers of the Bank;

(*c*) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

(*d*) the Bank's Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account and the returns;

(*e*) the reports on the accounts of the branches audited by Branch Auditors have been forwarded to us and the same have been considered by us in preparing our report;

(*f*) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st December, 1972 and Profit Loss Account gives a true and fair view of the profit for the year ended upon that date.

JAIPUR,
30th March, 1973

M.C. BHANDARI, F.C.A.
Partner
M/s. J. K. SINGHAL & CO.
Chartered Accountants

Rajasthan Ltd.

31st December, 1972

1971 Rs. P.	PROPERTY AND ASSETS				Rs. P.	1972 Rs. P.
30,44,73,441.92		Brought Forward			39,65,341.40	35,80,18,346.28
12,97,420.57	*Less*—Depreciation as per last Balance Sheet		Rs.	14,75,765.83		
18,993.75	*Less*—Depreciation on written off during the year		Rs.	13,523.42		
12,78,426.82			Rs.	14,62,242.41		
1,97,339.01	Depreciation during the year		Rs.	2,60,387.21	17,22,629.62	22,42,711.78
14,75,765.83						
17,55,633.84						
	10. **Other Assets including Silver :**					
Nil	(*i*) Silver			... ...	Nil	
3,08,749.69	(*ii*) Sundry Debtors			... ...	6,10,180.35	
14,205.20	(*iii*) Stamps			... ...	18,638.50	
17,995.00	(*iv*) Cash in Transit			... ...	19,81,002.56	
18,250.00	(*v*) Prepaid Insurance			... ...	21,404.00	
4,43,830.91	(*vi*) Stationery in Stock			... ...	6,11,305.97	
12,58,185.97	(*vii*) Income accrued but not realised			... ...	15,76,921.25	
19,26,353.92	(*viii*) Income Tax deducted at source and Income Tax paid in advance			... ...	10,77,926.42	
2,084.33	(*ix*) Building Equipment			... ...	1,224.28	
39,89,655.02					58,98,603.53	
39,89,655.02						
	(*x*) Conveyance					
3,60,322.43	As per last Balance Sheet		Rs.	4,87,171.65		
1,44,963.48	Additions during the year		Rs.	68,050.26		
5,05,285.91				5,55,221.91		
18,114.26	*Less*—Sale/Written off during the year		Rs.	55,867.62		
4,87,171.65				4,99,354.29		
1,95,107.61	*Less*—Depreciation as per last Balance Sheet	Rs. 2,42,626.82				
13,616.67	*Less*—Depreciation on Sale/written off during the year	Rs. 37,897.20				
1,81,490.94		Rs. 2,04,729.62				
61,135.88	*Add*—Depreciation during the year	Rs. 53,244.48	Rs.	2,57,974.10	2,41,380.19	61,39,983.72
2,42,626.82						
2,44,544.83						
42,34,199.85						
Nil	11. **Non-Banking Assets acquired in satisfaction of Claims** : (Stating mode of valuation) ...					Nil
31,04,63,275.61				Grand Total ...		36,64,01,041.78

S. D. MEHRA
Chairman
&
Chief Executive Officer

S. K. MANSINGHKA
H. L. KOTHARI
CHUNILAL JAIPURIA
BIRDHILAL SETHI
URMILA DEVI
} *Directors*

J. S. BABEL
General Manager

JAIPUR,
30th March, 1973

The Bank of

Profit & Loss Account for the

1971 Rs. P.	EXPENDITURE	1972 Rs. P.
93,37,270.24	1. Interest paid on deposits, borrowings etc.	1,23,26,462.51
70,19,485.26	2. Salaries, Allowances and Provident Fund (Includes Rs. 47,797.55 being the Bonus paid for the year 1971) ...	83,52,073.05
11,250.00	3. Directors & Local Committee Members Fees and Allowances	10,525.00
4,17,276.56	4. Rent, Taxes, Insurance, Lighting etc.	4,93,747.19
26,720.40	5. Law Charges	34,031.75
4,52,084.70	6. Postage, Telegrams and Stamps	5,30,503.76
21,140.00	7. Auditors Fees	25,100.00
3,56,285.09	8. Depreciation on and Repairs to the Banking Company s Property	4,08,664.25
3,95,852.60	9. Stationery, Printing, Advertisement, etc.	4,77,410.08
Nil	10. Loss from sale of or dealing with non-banking assets	Nil
6,28,918.82	11. Other Expenditure	7,26,617.21
18,49,780.82	12. Balance of Profit (Subject to tax)	18,05,020.00
2,05,16,064.49	Total	2,51,90,154.80

As per our separate report of even date annexed

JAIPUR,
30th March, 1973

M. C. BHANDARI, F.C.A.
PARTNER
M/s. J. K. SINGHAL & CO.
Chartered Accountants

Rajasthan Ltd.

year ended 31st December, 1972

1971 Rs. P.	INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	1972 Rs. P.
1,60,98,421.59	1. Interest and Discount	2,05,39,560.08
38,41,760.84	2. Commission, Exchange & Brokerage	38,33,841.80
2,154.85	3. Rents	1,870.05
53,143.52	4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any particular fund or account)	2,55,236.42
Nil	5. Net Profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not creditesed to Reserves or any particular fund or account)	Nil
Nil	6. Income from Non-Banking Assets and Profit from sale of or dealing with Assets.	Nil
5,20,583.69	7. Other Receipts	5,59,646.45
2,05,16,064.49	Total	2,51,90,154.80

Note—Particulars of remuneration relating to the Chief Executive Officer :

(*i*) Salaries	36,000.00
(*ii*) Allowances	—
(*iii*) Sitting fee	—
(*iv*) Bonus	—
(*v*) Employer s contribution to provident fund, pension fund or any other superannuation fund	3,000.01
(*vi*) Monetary value of any other benefits or perquisites	12,185.55
(*vii*) Total of items (*i*) to (*vi*)	51,185.56
(*viii*) Salary & Allowances of the Chief Executive Officer as stated in the Profit & Loss Account of the previous year	37,429.36

S. D. MEHRA
Chairman
&
Chief Executive Officer

S.K. MANSINGHKA
H. L. KOTHARI
CHUNILAL JAIPURIA
BIRDHILAL SETHI
URMILA DEVI
} *Directors*

J. S.BABEL
General Manager

MAY 11, 1973

The Bank of Rajasthan Ltd.

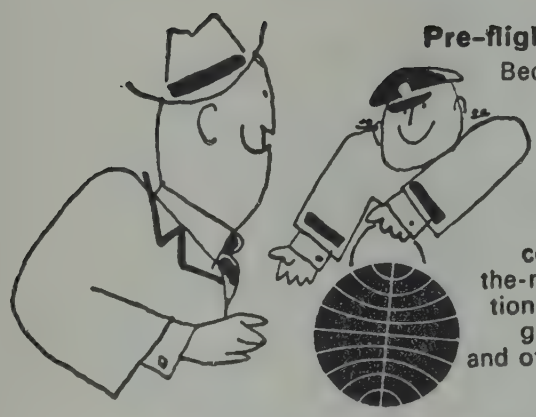
SCHEDULE OF PARTICULARS REQUIRED BY THE BANKING REGULATION ACT, 1949 ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 1972

1971			PARTICULARS OF ADVANCES	1972		
Bills Discounted & Purchased	Loans, Advances, Cash Credit & Overdrafts	TOTAL		Bills Discounted & Purchased	Loans, Advances, Cash Credit & Overdrafts	TOTAL
Rs. P.	Rs. P.	Rs. P.		Rs. P.	Rs. P.	Rs. P.
4,12,52,861.92	9,49,84,775.01	13,62,37,636.93	(*i*) Debts considered good in respect of which the Banking Company is fully secured.	3,85,88,801.41	12,11,72,432.90	15,97,61,234.31
21,44,969.53	30,37,824.28	51,82,793.81	(*ii*) Debts considered good for which the Banking Company holds no other security than the debtor's personal security.	10,99,118.36	32,19,417.12	43,18,535.48
			(*iii*) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors :			
Nil	58,47,774.40	58,47,774.40	(*a*) Debts guaranteed by the Government of Rajasthan and Maharashtra.	Nil	39,76,073.71	39,76,073.71
85,26,960.91	8,47,734.60	93,74,695.51	(*b*) Others.	1,19,60,946.94	4,62,932.24	1,24,23,879.18
Nil	Nil	Nil	(*iv*) Debts considered doubtful or bad, not provided for.	Nil	Nil	Nil
5,19,24,792.36	10,47,18,108.29	15,66,42,900.65		5,16,48,866.71	12,88,30,855.97	18,04,79,722.68
Nil	3,85,524.10	3,85,524.10	(*v*) Debts due by Directors or officers of the Banking Company or any of them either severally or jointly with any other persons.	Nil	5,37,647.26	5,37,647.26
22,47,871.95	Nil	22,47,871.95	(*vi*) Debts due by Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agetns or in case of Private Companies as Members.	22,43,404.52	94,969.57	23,38,374.09
Nil	3,85,572.55	3,85,572.55	(*vii*) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking. Company or any of them either severally or jointly with any other persons.	Nil	5,37,647.26	5,37,647.26
22,49,497.94	Nil	22,49,497.94	(*viii*) Maximum total amount of advances including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners, Managing Agents, or in case of Private Companies, as Members.	22,43,404.52	94,969.57	23,38,374.09
Nil	11,84,465.82	11,84,465.82	(*ix*) Due from Banking Companies.	Nil	22,00,024.00	22,00,024.00

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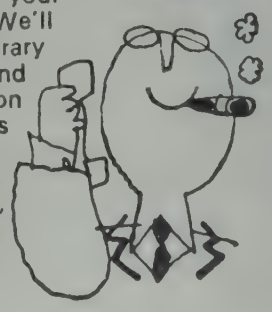


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COMPANY AFFAIRS

Pfizer

SALES OF Pfizer Ltd advanced by about 17 per cent to Rs 24.38 crores during the year ended November 30, 1972 from Rs 20.84 crores in 1970-71. There was, however, a less than proportionate improvement in net profit from Rs 1.73 crores to Rs 2 crores, an increase of only 15.6 per cent, mainly due to lower profit margins on drugs which had to be sold at controlled prices. In fact the profitability of the company has been on the decline since the imposition of Drugs (Prices Control) Order. The growth turnover since 1968-69 has been 48.9 per cent whereas the growth in net profit has been only 7.33 per cent. Pfizer's sales during 1971-72 included pharmaceuticals, nutritional products, chemicals and agricultural and animal health products. It is stated that the profits on the formulations covered by the Drugs (Price Control) Order was below the ceiling of 15 per cent of their turnover. Exports totalled Rs 72.6 lakhs during 1971-72 as against Rs 61.9 lakhs in 1970-71.

Boots

Boots Company (India) will consider the issue of bonus shares only after the close of the current financial year ending December 31, 1973. According to the terms of the debenture issue executed with financial institutions the company has been refrained from issuing bonus shares earlier. This was revealed by the Chairman Mr N.S. Phatarphekar while addressing the annual general meeting of the company held recently in Bombay. In the first four months of the current year turnover had risen by 20 per cent to Rs 2.28 crores over the identical period of the previous year. This rate of growth is expected to be maintained in the remaining months of the current year. The company's project of modernisation of manufacturing facilities and consolidation of activities under one roof, estimated to cost Rs 1.58 crores, is expected to be completed in time.

Voltas

The activities of Voltas are intended to be diversified. The object clause of the Memorandum of Association is proposed to be modified subject to the confirmation by the court to enable the company to share with other concerns the experience and know-how acquired by it over the years and to enter into joint projects. The company has been active in the agro-industrial sector and is a premier in the areas of agricultural and rural development. It is intended that it should participate extensively in these fields by adding to its existing operations in the tractor, pump, sprinkler irrigation and allied fields, such activities as the manufacture and sale of pesticides, fertilizers, agricultural chemicals etc. and by undertaking the running of experimental farms, soil testing and similar activities. It is also proposed that the electrical division be expanded with a view to conducting the business of research in the field of electronics and to manufacture electronic, electrical and mechanical devices, apparatus, appliances and machines, spare parts and accessories.

Tata Chemicals

During the nine-month period ended March 31, 1973, the values of sales, inclusive of excise duty, of all Tata Chemicals products was higher at Rs 13.68 crores thereby outstripping the turnover for the corresponding period of the previous year by Rs 2.64 crores or 23.9 per cent. Among the company's major products the output of soda ash during these nine months at 185,192 tonnes was higher by 5,004 tonnes or 2.8 per cent over the preceding year.

Larsen & Toubro

The turnover and other income of Larsen & Toubro for the year ended March 31, 1973 has surpassed all its previous years records. The turnover during 1972-73 stood at Rs 38 crores, thereby exceeding its previous year's figure by as much as Rs 7.13 crores. The marked increased in turnover which is expected to have a favourable effect on the company's working was made possibly by a substantial increase in production. The orders in hand at present are also significantly higher at about Rs 48 crores. With four-year labour settlement signed recently, the company is looking forward to further impressive increases in working results during 1973-74.

Enfield India

Right from its inception in 1956, Enfield India has been maintaining an unbroken record of higher output and sales year after year. The remarkable feature of the company's operations in 1972 is that its achievements are of larger dimensions than in any of the earlier years. In fact its earnings and turnover in 1972 have burst all its previous years records. Despite drastic cut in power supply turnover scaled to a new peak to Rs 883.46 lakhs from Rs 729.30 lakhs in 1971. Notwithstanding higher production costs, gross profit before depreciation too moved up sharply to Rs 54.95 lakhs from Rs 45.17 lakhs in the previous year. In consistent with its conservative and pragmatic policy the management has maintained the equity dividend at 12 per cent for 1972. Out of the gross profit the directors have set apart a sum of Rs 22.68 lakhs to depreciation reserve as against Rs 20.91 lakhs in 1971 while the provision for development rebate reserve was reduced from Rs 3.65 lakhs to Rs 3.10 lakhs. After other adjustments a sum of Rs 22.24 lakhs was allocated to general reserve as against only Rs 8.50 lakhs in 1971.

The proposed dividends —equity and preference— will be paid out of the general reserve. There are indications that a continuous rise in turnover will be registered in coming years. In addition to installing balancing equipments for expansion of the output of both 350cc motorcycles and 173cc Crusaders at Tiruvottiyur, a new unit has been established at Anaikaraipatti a backward area in the Ramnad district. This new project is expected to commence commercial production from the middle of this year. Though this factory will be making a contribution to the current year's turnover, tangible benefits from the capital outlay of Rs 95 lakhs will flow only in subsequent years. In the agro-industrial engine division at Toraipakkam, although capacity installed is for 40,000 engines, as a result of considerable technological advan-

ce gained by the company it is now in a position to achieve an annual production of 50,000 engines. The outlook for 1973 is quite promising. The internal market for motor-cycles and agro industrial engines is fast expanding. There is also a good potential for increasing exports, particularly of engines. There are, therefore, sufficient outlets for marketing substantial increase in production which the company will be able to achieve in the coming years by optimum utilisation of its existing facilities at Tiruvottiyur and Toraipakkam factories and the additional facilities at the new unit being set up at Anaikaraipatti.

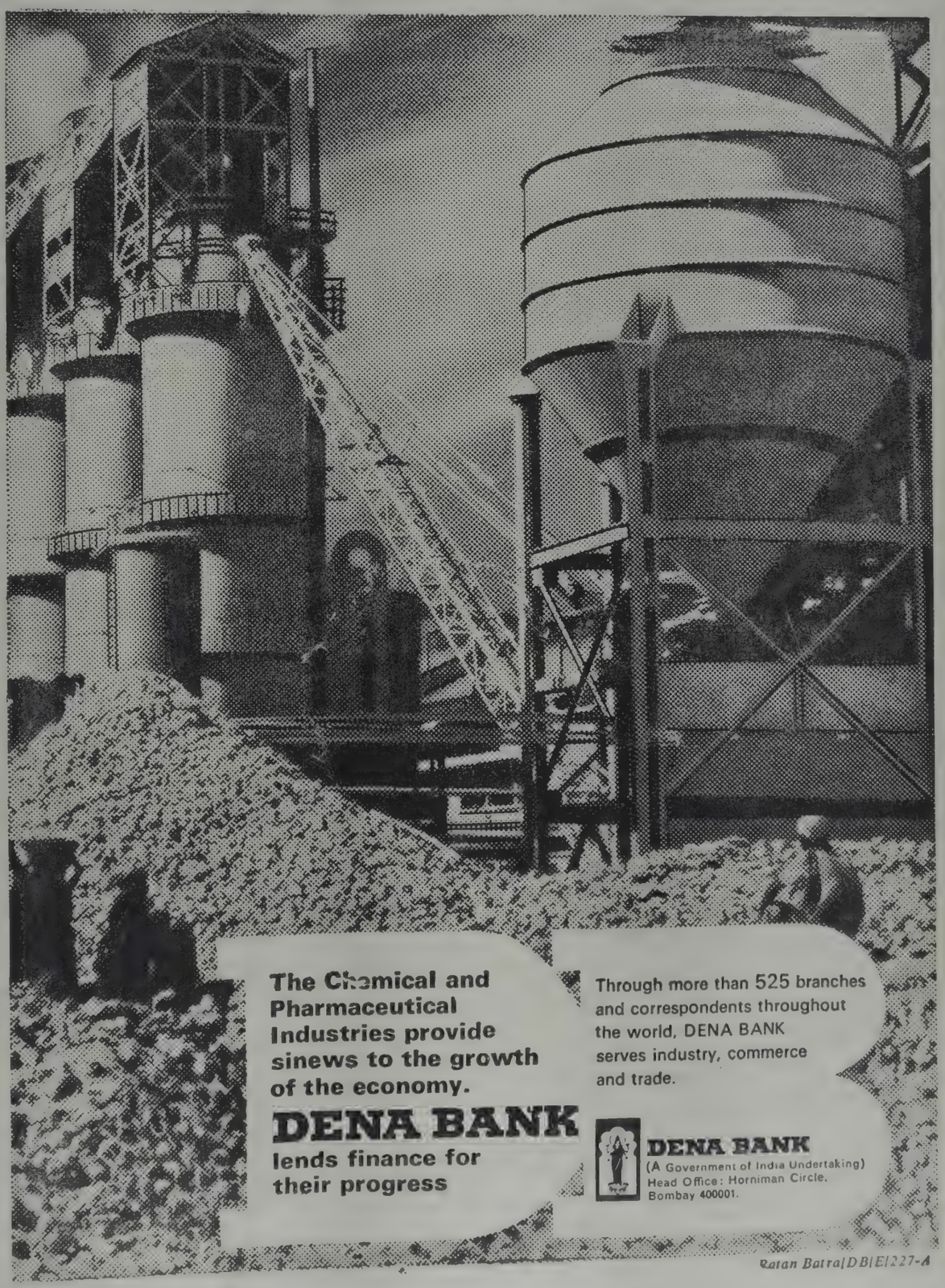
Antifriction Bearings

Antifriction Bearings Corporation has maintained the equity dividend at 12 per cent for 1972 but it is payable on a capital increased by the issue of right shares, the latter being eligible for a proportionate dividend. But it is subject to the concurrence of the IFC in terms of the loan agreement with the corporation. During the year under review the company earned a lower gross profit of Rs 38.55 lakhs as compared to Rs 41.63 lakhs in 1971. Out of the gross profit a sum of Rs 20.28 lakhs was charged to depreciation reserve as against Rs 17.60 lakhs in the earlier year while the appropriation to development rebate reserve was stepped up from Rs 6.20 lakhs to Rs 13 lakhs. No provision has been made for taxation as compared to Rs 4.50 lakhs allocated in 1971. This leaves a net profit of Rs 5.27 lakhs as against Rs 13.33 lakhs in 1971. An amount of Rs 5.31 lakhs was transferred to the general reserve as compared to Rs 13.45 lakhs in the preceding year and the proposed dividend will be paid out of the general reserve. A major portion of the machinery for expansion programme has been installed. The remaining machinery and equipment are expected to be received shortly. The benefit of increased production will be reflected in the company's working results in the current year.

News and Notes

(*Expansion and Diversification*)

Industrial Cables (India) Ltd. is diversifying its activities into new lines of manufacture. The company has obtained a letter of intent for the production of grooved-contact wire (trolley wire) at its existing unit at Rajpura. This wire will be extensively used by the Railways for its railway electrification programme. The company has also obtained a c.o.b. licence for the manufacture of AAC and ACSR conductors. The company also approached the government for permission to manufacture XLP cables in collaboration with a reputed foreign firm. The company is also proposing to promote a company for the manufacture of cable making machinery. Negotiations are in progress for technical know-how with a well known machinery manufacturers in Europe.



The company is also going ahead with its steel wire project at Qila Zaffargarh in the backward area of Jind district in Haryana state. The total capital cost of the scheme is estimated at 93 lakhs. The plant is expected to go on stream by July-August this year. Meanwhile the company has reported all-round improvement in its working results during the year ended October 31, 1972. Its turnover increased by over 18 per cent from Rs 3.94 crores to Rs 4.64 crores, while exports improved to Rs. 1.37 crores in 1971-72 from Rs 1.32 crores in the previous year. It is heartening to note that the company is the largest exporter of power cables in the country, having achieved an overall export representing 24 per cent of the country's total exports. In recognition of its outstanding export performance the company was granted a certificate of Merit by the Engineering Export Promotion Council. What is more, the company has also been recognised by the government as an 'Export House.'

New Issues

R. G. Ispat Ltd. is entering the capital market with a public issue of Rs 9.60 lakhs. The company intends to issue at present 120,000 equity shares of Rs 10 each and 4000 cumulative preference shares of 100 each carrying a dividend of 9.5 per cent per annum. Out of this 10,000 equity shares have already been subscribed and further 38,000 equity shares and 1,600 preference shares have been reserved for allotment to promoters, directors and their friends. The remaining equity shares worth Rs. 7.2 lakhs and the preference capital of Rs 2.4 lakhs are now being offered to the public for subscription. The entire public issue is underwritten. The company is putting up a plant at Bharatpur in Rajasthan. Civil work has just started and the plant is anticipated to go into production by October-November 1973. The unit is expected to produce about 700 tonnes of carbon steel ingots. Looking to present market conditions and barring unforeseen circumstances the directors are confident of being able to pay reasonable dividends within a short time. A significant feature of this project is that it is a technocrates' venture under the control of professional directors well experienced in various disciplines of management.

East India Hotels, which owns a chain of hotels in India and abroad including the newly started Oberoi-Sheraton of Bombay, is issuing 37,50,000 equity shares of Rs 10 each and 80,000 cumulative redeemable preference shares of Rs 100 each both at par, as rights shares to the existing shareholders. The total share capital of the company after the rights issue will amount to Rs. 8.50 crores as against the total assets exceeding Rs. 20 crores. The proceeds of the issue will be utilised for repayment of short-term borrowings raised for the Oberoi-Sheraton project in Bombay. According to the chairman, Mr M. S. Oberoi, the Oberoi-Sheraton hotel in Bombay is expected to be a very profitable venture. The break-even point for this hotel is 43 per cent occupancy. At present it has an occupancy of 70 per cent and this is expected to rise to over 95 per cent in due course. Besides running a number of hotels in India, the company has been operating hotels in Nepal, Singapore and Egypt. It has plans to build and operate hotels in Iran, Ceylon, Fiji, Bali, Sydney, Melbourne, penang, Bangkok, and Mauritius. The accounts of the company for 1972-73 are to be finalised shortly. Indications are that the net profit is likely to be 15 per cent higher than in the previous year. It is also felt that the company will be able to maintain the equity dividend of 10 per cent for 1972-73. According to current estimates the turnover of the company during 1973-74 is expected to pick up to Rs 10.73 crores while the pre tax is anticipated to move up to Rs 74 lakhs.

Punjab Breweries Ltd, a joint venture of the Punjab State Industrial Development Corporation and East India Hotels, is offering 2,00,000 equity shares of Rs 10 each and 25,000 (9.5 per cent) cumulative redeemable preference shares of Rs. 100 each to the public for subscription. The subscription list for this fully underwritten issue will open on May, 14. The company is setting up a Rs 2.05. crore plant with an annual capacity for manufacturing 50,000 hectolitres of Pilsner beer at Dhandari Kalan focal Point near Ludhiana. The plant is expected to go on stream by August 1973. The plant is anticipated to attain 60 per cent of its production capacity in the first year after the start of commercial production, increasing to 80 per cent in the second year and 100 per cent in the third year. In the normal circumstances the company is expected to earn handsome profits which should enable the management to declare an equity dividend of 10 per cent after two years' working.

Company Meetings

The Century Spinning & Manufacturing Company Ltd. Birla Matushri Sabhagar, 19, Marine Lines, Bombay 20; May 22, 4 P.M.

Shalimar Paints Ltd. Regd. office, No. 13 Camac Street, Calcutta 17, June 29; 4 P.M.

Interim Dividends

The Board of Directors of **Kunal Engineering Company Ltd** have declared an interim equity dividend of seven per cent for the year ended March 31, 1973. The dividend is payable to those shareholders whose names appear on the Register of Members as on April 27, 1973.

Alkali and Chemical Corporation of India has maintained the interim equity dividend at 7.5 per cent for the year ending September 1973.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Coimbatore Cotton Mills	December 31, 1972	10.0	9.0
Shri Ambica Mills	December 31, 1972	20.0	18.0
Shree Rajendra Mills	March 31, 1972	10.0	6.0
Shri Arbuda Mills	December 31, 1972	14.0	13.0
Sri Balasubramania Mills	December 31, 1972	14.0	8.0
Travancore Electro Chemical Industries	December 31, 1972	15.0	14.0
Same Dividend			
Mahindra Sintered	April 30, 1972	12.5	12.5
Travancore Rayons	December 31, 1972	15.0	15.0
Rajasthan Spg. & Weaving	September 30, 1972	7.5	7.5
Mahalakshmi Mills	March 31, 1972	Nil	Nil
Textool	April 30, 1972	Nil	Nil
Tungabhadra Industries	September 30, 1972	5.0	5.0
Highland Produce Co.	December 31, 1972	12.5	12.5
Anglo French Textiles	December 31, 1972	15.0	15.0
National Machinery Manufacturers	December 31, 9972	8.0	8.0
Reduced Dividend			
Killick Nixon	November 30, 1972	9.0	11.0

Foreign Collaborations

THE GOVERNMENT of India approved of 73 technical/financial collaborations in the fourth quarter of the year 1972 (October-December). There were 21 cases of collaboration with the USA, 13 each with West Germany and the UK, six with Japan, four each with France and Switzerland, three with Australia, two each with Czechoslovakia and Italy, and one each with Austria, Belgium, Holland, Norway and Sweden. Ten cases involved financial participation also.

Sl No	Name of the Indian company/party	Name of the foreign company/party	Item of manufacture/scope of collaboration
1	2	3	4
		India-Australia	
1.	M/s. Eagle Cement Pipes Co. Pvt. Ltd, 36-E, Tarabai Park, Kolhapur, Maharashtra.	M/s. Roela Concrete Pipes Ltd., Melbourne, Australia	Prestressed concrete pipes.
2.	M/s. Desmet (I) Ltd., Shree Niwas Niketan, Dr. Annie Besant Rd, Worli, Bombay.	M/s. Hughes Holdings Group, Australia	Grain Silos & Bulk handling equipment
3.	Mr M.K. Panduranga Setty, 19, Platform Road, Bangalore-23.	M/s. Dellas Limited, Australia	Bakers' yeast.
		India-Austria	
4.	M/s. Universal Tyres Ltd, 21, Malaviya Rd., Allahabad-2.	M/s. Samparit AG, Vienna, Austria	Automobile tyres and tubes.
		India-Belgium	
5.	M/s. Wanson (I) Pvt. Ltd , Chinchwad, Poona-19.	M/s Establishments Wanson, SA, Belgium.	Industrial heating equipments.
		India-Czechoslovakia	
6. (F)	M/s. K.S. Diesels (P) Ltd., 19-21, Hamam Street, Fort, Bombay.	M/s. Motokov Foreign Trade Corporation, Czechoslovakia	Multi cylinder fuel injection equipment.
7.	M/s Everest Industrial Corpn. (P) Ltd., Pratapnagar, Baroda-4.	M/s. Sigma Engg. Olomouc, Czechoslovakia	Various types of valves.
		India-France	
8. (F)	Shri B.S. Sahni, "Abhilasha", 561/64 18th Road, Khar, Bombay-52.	M/s. Paris-Rhone S.A., France	Alternators, Generators, Starters & Voltage regulators.
9. (F)	M/s. Rajasthan Spinning & Weaving Mills Ltd., M-104, Greater Kailash New Delhi-48.	M/s. Pechiney, Ugine Kuklaern of Paris, France.	Graphite electrodes.
10.	M/s. The Triveni Engg. Works Limited, National Insurance Bldg, (1st floor), 5, Parliament Street, New Delhi.	M/s. Societiete Sucriere L' Atleantigue (Engg), Matigaon, Paris, France	Cane Diffusers and Dewatering Devices.
11.	M/s Sahney Steel and Press Works (P) Ltd., K-36, Connaught Circus New Delhi-1.	M/s. Paris-Rhone SA, Lyon, France	Ignition coils for automobiles.
		India-Holland	
12.	M/s. The Pioneer Engg. and Contractors, Syndicate Engineers, Gogan Mahal Colony, Domalguda, Hyderabad.	M/s. N.V. Batondak, Holland.	Prestressed concrete pipes.
		India-Italy	
13.	The Managing Director, Indian Petrochemicals Corporation Limited, P.O. Jawaharnagar, Baroda, Gujarat.	M/s. Montecatini Edison, SPA, Milano, Italy	Setting up of polypropylene plant.
14.	M/s. V.A.P. Corpn., Ltd., P.B. No. 6, Post: Udhana, Distt. Surat. Western Railway, Gujarat.	M/s. Officine Precisions, Italy	16 mm. Sound Projectors.

(F) Indicates cases involving financial participation also.

1	2	3	4
		India-Japan	
15.	The Premier Cable Co. Limited, 14/15 F, Connaught Place, New Delhi.	M/s. Furukawa Electric Co., Japan	Gross linked Polyethelene, Power cables.
16.	M/s. Dalton Batteries Limited, Dalton House, 24, Darya Ganj, Delhi.	M/s. Hitachi Ltd., Japan	Dry Cells.
17.	Shri Jaswant Worah, c/o M/s. K.Worah & Co. (P) Ltd., P.B. No. 45, P.O. Jharia, Dhanbad, Bihar.	M/s. NHK Springs Co. Ltd., Tokyo, Japan	Metallic industrial springs. (excluding laminated springs).
18.	Shri J.H. Shah, 1067, Chaturshringi Road, Poona-16.	(1) M/s. Keihin Seiki Mfg. Co. Lmited, (2) M/s. Meiwa Trading Co. Ltd. Japan.	Carburettors.
19.	M/s. Star Textile Engg. Works Ltd., Dhan Raj Mahal, Chatrapati Shivaji Maharaj Marg, Bombay-1. BR.	M/s. Hisaka Works Limited, Japan.	High temperature High pressure dyeing machines.
20.	M/s. Printing Machinery and Allied Equipments, 84, M.K.N. Road Guindy, Madras-32.	(1) M/s. Osaka Printing Ink Mfg. Co. (2) M/s. Yamada Iron Works Ltd., Japan.	Cylinder Printing Machines.
		India-Norway	
21.	M/s. Allied Boat & Component Fabrications Pvt. Ltd., 450-C, Iyyattil Road, Cochin-11.	M/s. A/S Frydenbo Mek, Norway	Electro Hydraulic Steering Gears.
		India-Sweden	
22.	M/s. Rollatainers Ltd., 20/2, Mile Stone, Mathura Road, Faridabad, Haryana.	M/s. Christenssons Maskiner & Patdent A/B, Sweden.	Packaging machines.
		India-Switzerland	
23.	M/s. Lakshmi Machine Works Limited, 348, Avanashi Road, Coimbatore-18, Tamilnadu.	M/s. Schweiter Engg. Works Limited, Zurich, Switzerland.	Super automatic prin winders.
24.	M/s. Gansons (P) Ltd, 207, Kaked Chambers, Dr. Annie Besant Road, Worli, Bombay-18.	M/s. Nautemix Patdent A.G. Zug, Switzerland.	Special equipment for blending, Mixing & Homogenising.
25.	M/s. Associated Engg. Works Limited, Kashmere Gate, Delhi-6.	M/s. Marchemie International, A.G., Bucha, Switzerland.	D.S. Products (Fly Killers).
26.	M/s. Jaya Hind Industries Pvt. Ltd., Bombay Poona Road, Chinchwad, Poona-19.	M/s. Sciakdy Intertechnique S.A., Switzerland.	Spot and seam welding machines.
		India-UK	
27.	M/s. Usha Martin Black (wire ropes) Limited, 14, Princep Street, Calcutta-13.	M/s. Brunton Musselburgh Limited, Scotland.	Bridge ropes.
28. (F)	M/s. Horstmann India Private Limited, 37-40, Nagar Road, Poona-14, Maharashtra.	M/s. The Horstmann Gear Co. Limited, Bath, U.K.	Plain and screw plug Gauges (Threaded).
29.	M/s. Duncan Gilbey & Matheson (I) Limited, No. 10, Hailey Road, 7th Floor, New Delhi.	M/s. Duncan Gilbey and Matheson, London, U.K.	Malt Whisky at Hyderabad AP. Blended Whisky, Gin and Rum etc. at Kanpur, UP
30.	M/s. Rane (Madras) Limited, 47, Velacheri Road, Madras-32.	M/s. Burman & Sons Limited, Birmingham, U.K.	Steering Gears assembly.
31.	M/s. Bandu Machinery (P) Limited, 8-B, Bahadur Shah Zafar Marg, New Delhi.	M/s. Linotype and Machinery Ltd., U.K.	Web offset Rotary Printing equipment.
32.	M/s. Triveni Engg. Works, Limited, 5, Parliament Street, New Delhi-1.	M/s. Stock dale Engg. Vacuum Flters Ltd., Macalesfield, U.K.	Vacuum filters.

(F) Indicates cases involving financial participation also.

1	2	3	4
33.	Mr Vijay D. Khadkikar, Ing. Buro for Elektronik, Stuttgart, W. Germany.	(1) Mr. Johan Kyria kis. (2) Mr. W.R. Tole, U.K. Beta Instruments Co. Limited, U.K.	Scientific instruments.
34. (F)	Shri S.M. Bafna, G-3, Yamuna Path, Jaipur (Rajasthan).	M/s. Hodge Clemco Limited, London, U.K.	Shot blasting Equipment.
35.	M/s. R.R. Electronics India Limited, 48, A, Luz (Church Road) Madras-4.	M/s. Flight Refuell-Ring Limited, Dorset, U.K.	Reed Switches.
36.	M/s M.K. Shingari and B.B. Patel, II-I/90, B. Lajpat Nagar, New Delhi-24.	M/s. Jones Chromatography and Co. New Port, Mon, U.K.	On stream Analysers.
37.	M/s. Devidayal Cable Industries Ltd., Gupta Mills Estate, Bombay-10.	M/s. Turner & Stett Ltd., Lancashire, U.K.	Diamond wire drawing dies.
38.	M/s. Larsen & Toubro Ltd., Gulab Bhavan, Bahadur Shah Zafar Marg. New Delhi-1.	M/s. U.D. Engg. Co. Ltd., U.K.	High speed bottling plants.
39. (F)	M/s. Luminescent Lamps of India Limited, 6, Chittaranjan Avenue, Calcutta-13.	M/s. GLC (Lamps & Lighting) Limited, U.K.	M.V. Lamps.
		India-USA	
40.	M/s. Resident Representative, Hindustan Ship Yard Ltd, Room No. 418-A Transport Bhavan, N. Delhi.	M/s. W.J. Bearings Inc, USA	Consultency fees for Designing Shrimp Trawlers.
41.	M/s. Jyoti Limited, P.O. Chemical Industries Baroda-3, Gujarat.	M/s. Bingham-Willame tee, Co., USA	Nuclear Cryogenic pumps.
42.	The Managing Director, Indian Petroleum Chemicals Corporation Limited, Distt. Baroda, Gujarat.	M/s. Prospect International, C.A. Venezuela & wholly owned subsidiary of the Standard Oil Co. Ohio.	Acrylonitrile project.
43.	The Managing Director, Indian Petrochemicals Corporation Limited, Distt. Baroda, Gujarat.	M/s. Halcon International Inc., USA	Setting up of Ethylene Glycol Plant.
44.	M/s. Hindustan National Glass & Industries Ltd., Bahadurgarh, Rohtak, Haryana.	M/s. General Glass Equipment Co. Inc., USA	Glass forming machines.
45.	M/s. Ruby Rubber Works Limited, Ruby Nagar, P.O. Changnacherry, Kerala.	M/s. General Tire International Co., USA	Automobile Tyres and Tubes.
46.	M/s. Inchek Tyres Limited, Leslie House, 19, Jawahar Lal Nehru Road, Calcutta.	M/s. International B.F. Goodrich, Akron, Ohio, USA	Automobile Tyres and Tubes.
47.	M/s. Tamil Nadu Rubber Limited, I-B, Fort St. Rutland Gate, Madras-6.	M/s. General Tire International Co. Ohio, USA	Automobile Tyres and Tubes.
48.	M/s. Gujarat Industrial Investment Corpn, Ltd , 4th Floor, Natraj Chembers, Ashram Road, Ahmedabad.	M/s. International B.F. Goodrch, Ohio, USA	Automobile Tyres & Tubes
49.	M/s. Punjab State Indl. Development Corpn, Ltd., United Commercial Bank Building, 3rd Floor, Sector 17-B, Chandigarh.	M/s. International B.F. Goodric, Ohio, USA	Automobile Tyres and Tubes.
50.	M/s. J.K. Industries Pvt. Limited, 4, Bahadur Shah Zafar Marg, New Delhi.	M/s. General Tire International Co., Ohio, USA	Automobile Tyres and tubes.
51. (F)	Mr Om Wadhwa, c/o, J.V. Electronics (P) Limited, 6-C, Middleton Street, Calcutta-16.	M/s. Sangamo Electric Co., (Capacitor Divn), South Carolina, USA	Silvered Mica.
52.	Shri Mohan M. Shah, 265, Kalbadevi Road, Bombay-2. (Unit to be located in AP).	M/s. Smith Corona Merchants, New York, USA	Electric Typewriters.

(F) Indicates cases involving financial participation also.

1	2	3	4
53. (F)	Shri K.V.A. Nair, 2A, Meghdoot, 12, Rowland Road,, Calcutta-20.	M/s. Getz Bros & Co Inc., California, USA	Gas, Fired Infra Red Ovens.
54. (F)	M/s. Monsanto Chemicals of India (P) Limited, 3/8 Asaf Ali Road, P.B. No. 705, New Delhi.	M/s. Monsanto Co., USA	Rubber Chemicals and their intermediates.
55. (F)	M/s. Mody Industries Pvt. Limited, 62, Bhavanishanker Road, Dadar, Bombay-28.	M/s. Franklin Electric Co., USA	Submersible Pumps & motors etc.
56.	M/s. Electric Control Gear Pvt. Limited, Kakhial Road, Ahmedabad-2.	M/s. Westinghouse Electric Corpn., USA	Moulded case circuit Breakers.
57.	Mr Sham Sundra, C-100, Maharani Bagh, New Delhi-14.	M/s. Cryton Optics Inc., New York, USA	Fresnel Lenses & overhead Projectors etc.
58.	M/s. Precision Fasteners Limited, New India Centre, 12th Floor, 17-Cooperage Road, Bombay-1.	M/s. Standard Pressed Steel Co. Pennsylvania, USA	High Tensile Self-Locking Nuts.
59.	The Chairman-cum-Managing Director, Hindustan Zinc Limited, Udaipur-Rajasthan.	M/s. Arthur G. Mckee & Company, California, USA	For preparation of conceptional Engg., report cum-feasibility report for the lead-zinc mines at Zawarmala & Baori.
60.	M/s. Dimensional Plastiglas Industries, Bani Park, Jaipur.	M/s. S. Ronald Barnette Inc., USA	Structural fibre reinforced panels.
		India-West Germany	
61.	M/s. Vulcan Enggs. Pvt. Ltd., Mahalaxmi Chambers, Bhulabhai Desai Road, Bombay, 26.	M/s. Keramische Industries, Berlin, West Germany.	Tunnel Kilns, rapid firing Kilns etc.
62.	M/s. Hackbridge-Hewittic & Essun Limited, S. 4. 5-7, Second Line Beach, Madras-1.	M/s. Maschinenfabrik Reinhausen, Regensburg 6, West Germany.	On-load-Tap changing gears.
63.	M/s. J.K. Synthetics Ltd., Kamla Tower, Kanpur (UP).	M/s. Industrie-Werke Karlessruhe, Augsburg, AG, West Germany.	Take up machines.
64.	M/s. The Gujarat Industrial Investment Corpn, Ltd , Natraj Chambers, Ashram Road, Navrangpura, Ahmedabad.	M/s. Friedrich Uhde GmbH, Dortmund, West Germany.	Caustic Soda, Liquid Chlorine & Hydrochloric acid.
65.	M/s. Chemidye Trading Co. Pvt. Limited, Kameer Bldg., Cowasji Patel Street, Fort, Bombay-1.	M/s. Chemiebau, Dr. A. Zeiron GmbH & Co. Aachener Strasse 958, West Germany.	Phthalic Anhydride.
66.	M/s. Stumpp. Schuele & Somappa, Hosur Road, P.B. No. 5078, Bangalore.	M/s. Stumpp & Schuele GmbH, West Germany.	Metallic Springs of all types.
67.	M/s. Jagjit Industries Ltd. 54, Ring Road, Lajpat Nagar-III, New Delhi-24	M/s. Nicholaus Sorg GmbH, West Germany.	Import of drawing designs for fabricating a glass furuace Special type of Lime-kiins.
68.	M/s. Chemcon International B-10, South Extension Part II, New Delhi-49.	M/s. Huttenwerks-Maschinen GmbH, West Germany.	
69.	M/s. Material Testing Machines (P) Ltd., 7, Homji Street, Fort, Bombay-1.	M/s. Zwick & Co. K.G., Einsingen Uber Ulm, (Donau), West Germany.	Testing machines.
70.	M/s. Lakshmi Precision Screws Ltd., Industrial Area, Hisar Road, Rohtak.	M/s. Richard Bergner, K.G., Schwahaback, West Germany.	Precision Machine screws.
71.	M/s. Cement Distributors Limited, 4, Scindia House, New Delhi-1.	M/s. Friedrich Horn Maschinenfabrik & Eisengiesserai, GmbH, West Germany.	Heavy Duty Hydraulic Presses.
72.	M/s. Deccan Wires Limited, 462, 21st Cross, 111—Block, Jayanagar, Bangalore-11.	M/s. J.H. Rud, Giese, Wires, GmbH, West Germany.	Wires.
73.	M/s. Utkal Machinery Ltd., Kansabahal, Distt. Sundergarh, Orissa.	M/s. Gutehoffnungschuette, Sterkrode AG, Oberhausen, West Germany.	Items of industrial machinery.

(F) Indicates cases involving financial participation also.

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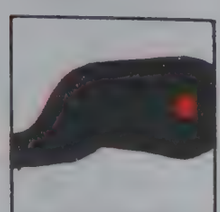
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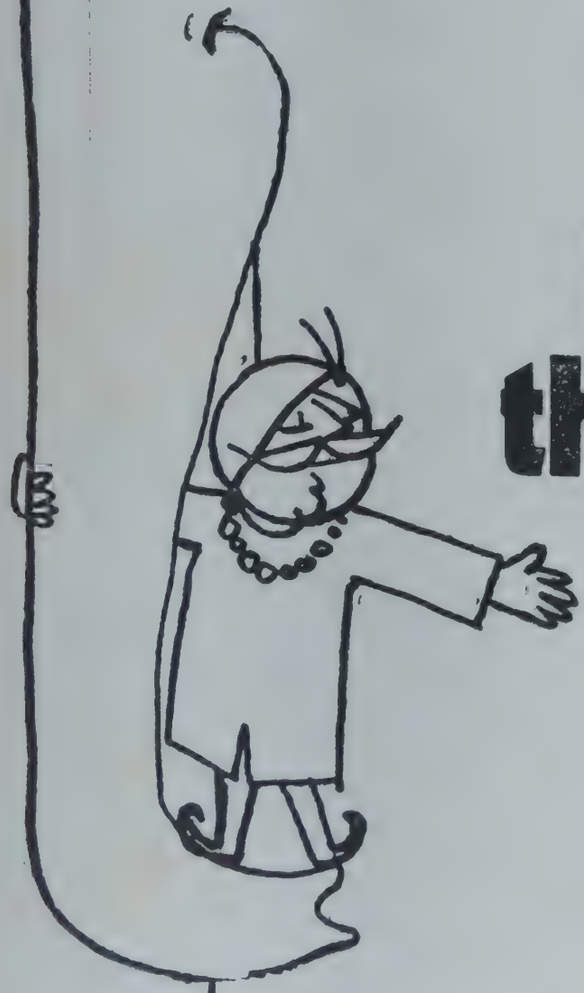
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No sport for a child

THE PRIME minister said the other day that, even as a child, she had always chosen to follow the most difficult path. It is not readily obvious what she thought this proved. Childish behaviour of course has a logic of its own, but it is usually the kind of logic which entertains more than it instructs. The prime minister, however, is no longer a child. She is a grown-up person on whom, by accident or otherwise, the grave responsibilities of leading or governing this nation have descended. It is clearly necessary that the country cannot have her behave like a child in her attempt to deal with its problems. She must realise that, when she indulges her weakness to make things more difficult than they need be, she is making things difficult not so much for herself as the people of this country, although, naturally, she must ultimately pay for their frustrations and disappointments.

Good management, in any sphere of life, demands that the maximum of desired results should be achieved with the minimum expenditure of effort or resources. Quite clearly, this cannot be done if the manager were to choose the most difficult way of doing a thing simply because it is the most difficult way. This kind of behaviour would clearly result in wasting or otherwise misusing resources. It is therefore not easy to believe that the prime minister would still be consciously allowing her childhood preference for the most difficult path to influence her at this time of her life in her conduct of government policy. After all, it is well-known that she did adopt quite a few short cuts in attaining power or building it. In any case, her public disclosure of her predilection for the "most difficult" path seems to be singularly badly timed since, right now, public opinion is increasingly prone to hold that the government's take-over of the wholesale trade in foodgrains is a wholly avoidable exercise in creating more new problems rather than in trying to solve those that may already be there.

The prime minister must realise that, for the common people of this country, most of whom have no childhood memories worth wallowing in, life is already an extremely serious and difficult one. They have therefore the right to demand of the government that it should not choose deliberately the most difficult way of doing things for, here, 'the most difficult' simply means that things are made most difficult for the people. This country has certain material resources. They are not unlimited, but they are not negligible either. This country has also vast human resources. It is no doubt true that much of this manpower is diluted by illiteracy, economic stress, political ignorance and a certain social backwardness. Even so, this manpower could learn and grow with opportunities if they are made available to it. It is only fair that Mrs Indira Gandhi and the government of which she happens to be the leader should try to use these material and human resources in a sensible way so that they can be made to go far in promoting the development of the economy and the welfare of the community. The government should, in other words, choose this straight and simple way of doing things. There is no virtue in its allowing the prime minister to indulge in her childhood proclivity for choosing the most difficult way. This kind of self-indulgence may be all right as a childish diversion or a pastime for an otherwise idle afternoon, but it just is not the right course for the serious business of governing a country plagued with poverty, unemployment and an economy which is being continuously impoverished by a rising population.

As is usual at this time of the year, there is again speculation about the prime minister chopping and changing her council of ministers, but the country has long ceased to attach much importance to her reshuffling her pack of cards. It has learnt to its cost that ministers may come or ministers may go, or portfolios change hands or otherwise get manipulated, but nothing very much changes for the better in the direction of government policies or the quality of the administration. In the circumstances, what matters perhaps is that, at least at the level of secretaries in the various ministries, the government should have human assets of reasonable calibre. Fortunately, quite a few of the recent postings at this level of the bureaucracy seem to be promising. The ministries of Industrial Development, Petroleum and Chemicals, Company Affairs, Irrigation and Power and Heavy Industry, for instance, have the benefit of certain recent or new high-level appointments which should contribute to their more purposive functioning.

There is however one snag. Most of these promoted secretaries (including in one case an additional secretary) are people who have served for a number of years in less senior posts. In the process, they have no doubt acquired valuable experience and maturity, but it is possible that they cannot begin immediately to function with the self-confidence and assurance of, say, a H.M. Patel, a Dharma Vira, a Ranganathan,

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a Bhoothalingam, a L. K. Jha, a K. B. Lall, a V. Shankar, or any of those great administrators who had or have done so much to make this government work despite its political limitations. It follows that the new secretaries will be effective only to the extent they are permitted to develop their personalities as dynamic executives of policy, committed to getting things done by eschewing negativism or obstructionism. We have no doubt that these men have in them the potential for making the government meaningful as an instrument of economic development. We wish we could be hopeful too that their political bosses will not compel them to function as private secretaries to ministers rather than as secretaries to the government. Nothing disgraces the administration more than a secretary in a ministry having to confess that he is powerless to act.

Iraq and our oil economy

BESIDES SUPPLYING us 1.95 million tonnes of crude oil by the end of 1975 under a contract signed last year, Iraq has recently offered to make available to us 112 million tonnes of crude oil over a period of 12 years beginning on January 1, 1976. The offer is significant in more than one respect.

First, this should help to fulfil our government's keen desire to diversify the sources of imports of this essential energy material. Secondly, it will ensure supplies of crude oil for the two giant refineries proposed to be set up at Mathura and Goa, which will cater for a substantial portion of our requirements of petroleum products in the late seventies and the whole of eighties. In the beginning, slightly over 25 per cent of our needs of crude oil will be met by Iraq. This proportion, of course, would get reduced to about 14/15 per cent by 1987. In this terminal year for Iraq's offer, our requirements of petroleum products may be of the order of 65/66 million tonnes, despite concerted efforts at containing the growth of this demand.

Thirdly, purchases of such huge quantities of crude oil from Iraq should help in increasing our exports to that country. In view of our engineering industry having registered a phenomenal growth in the past 15 or 16 years, with the result that we are now in a position to produce a wide range of industrial and transport machinery, and equipment we shall be able to meet the requirements of Iraq's development plans to a considerable extent. Iraq has already sought assistance from us in spreading its railway network.

Fourthly, this deal may open up possibilities of Indo-Iraq ventures in the petroleum field. Iraq has shown interest in our public sector oil explorer—the Oil and Natural Gas Commission—extending its operations to that country.

A much deeper significance of Iraq's offer, however, is that it will provide us enough time to plan and execute our strategy for meeting the energy requirements of the years succeeding the sixth Plan. In view of the rapidly increasing demand for petroleum products in the United States, Japan and the EEC countries, and the oil producing and exporting countries of west Asia and north Africa coming together to derive the maximum benefit from this natural endowment of theirs, attempts are being made by the US and Japan to pre-empt crude oil supplies. If these two countries succeed in their endeavours, acute shortages of crude oil for the other nations, particularly the developing ones, cannot be ruled out.

This demands that we should chalk out our strategy for meeting the future requirements of petroleum products not only in detail but also expeditiously. In the immediate future, owing to the sharp rise in the prices of west Asian crude oil, following the agreement between the oil producing and exporting countries, on the one side and the international oil companies on the other, about two years ago, three steps are called for. These are (i) curbing the consumption of petroleum products; (ii) raising of our own production of crude oil to the extent possible; and (iii) attaining of self-sufficiency in the refining field. Through successive scaling up of excise duties on petroleum products, undue expansion in demand, indeed, is beiug arrested. The spurt in the demand for kerosene and diesel oil this year is exceptional due to the severe setback to the generation of power. Our efforts at increasing the domestic output of crude oil as well as for augmenting the refining capacity in the country, however, have left much to be desired.

So far as the production of crude oil is concerned, it has gone up at a snail's pace in the past few years. The crude oil output today aggregates to just about seven million tonnes, as against the total requirements of 23/24 million tonnes, if the entire demand for petroleum products is to be met by the indigenous refineries. Since our refining capacity falls short of requirements, even after taking into account the nearly two million tonnes capacity at the Trombay refineries of Esso and Burmah-Shell, which is not being allowed to be operated because it exceeds the licensed capacities of the two refineries, we are obliged to import sizeable quantities of refined products. In 1972, these imports cost us nearly Rs 68 crores.

A crash programme has been launched recently to establish nearly 64 million tonnes of new crude reserves By the end of the fifth Plan, an additional six to seven million tonnes of crude may be available from the exploitation of some of these 'reserves. Nevertheless our dependence on imported crude oil will go up, instead of decreasing, since the requirements are expected to grow to as much as 43 million tonnes. Nevertheless, the launching of the crash programme is a step in the right direction. Our own output of crude oil, indeed, would have received a good fillip had prospecting in the Bombay High offshore area not been unduly delayed. At long last, drilling operations here would start soon, as the floating platform ordered from Mitsubishi of Japan has recently crossed over to the Indian Ocean and should reach its destination shortly.

If the oil prospecting programme in the country has to yield quick results, the search for oil on our continental shelf will have to be intensified. The recent decision of the government of India to invite private entrepreneurs from abroad to participate in this programme on considerably relaxed terms, which approximates the Indonesian pattern, though belated, is welcome. The chances of finding oil on-shore are not considered so bright.

Along with the stepping up of the tempo of oil exploration within the country, with a greater emphasis on the offshore areas, we should go in a big way for exploration deals abroad. If we are successful there, we may have our own crude for which the foreign exchange outgo will be much less compared to what we will have to spend on imports otherwise. Barter deals with the oil-producing countries can also be very useful, In view of the fast-changing international oil scene and the governments of the oil-exporting nations having an increasing control on their natural endowment through participation with the international oil companies, direct deals with the oil-exporting countries will have to be entered into, even though the inter-

national oil companies will have to be kept in the picture if for no other reason than for maintaining a competitive world oil market.

A sizeable saving in the petroleum import bill can be effected if, instead of importing refined products, we import crude oil to the full extent of our refining capacity and also continually go on augmenting the refining capacity to the levels of projected requirements. With the commissioning of the 2.5 million tonnes Haldia refinery and the expansion of the Cochin refinery by one million tonnes, the total "authorised refining capacity" in the country would go up to about 23.5 million tonnes. If the private oil companies are allowed to operate their capacities fully, we should be able to meet our requirements of petroleum products with only marginal imports.

With a view to meeting the requirements of the fifth Plan period, the refining capacity in the country is proposed to be augmented through setting up of a six million tonnes refinery at Mathura and expansion of the capacities of the Koyali and Barauni refineries by 1.5/2.0 and 1.2 million tonnes, respectively. Some additional output can also be arranged through the expansion of the Madras and Haldia refineries. The one million tonnes petrochemicals refinery at Bongaigaon in Assam would also have been commissioned in the next two or three years. The total refining capacity in the country by 1978-79 would, thus, go up to about 36 million tonnes, provided of course, the Mathura refinery is fully commissioned by then. The establishment of a four million tonnes capacity refinery at Goa, therefore, will have to be expedited if the requirements of the refined petroleum products in the terminal year of the fifth Plan and the early years of the sixth Plan are to be met from the domestic refining capacity. Preliminary work on the expansion of our refining capacity to meet the demands of the eighties will have to be taken up in the next two or three years.

In the long-range interest of our country, the most important measure to be adopted is to intensify activity in respect of the development of alternative sources of energy and rationalising the use of petroleum products for the production of fertilizers, petrochemicals, etc. In future, we will have to devote much greater attention to the production of nuclear energy than has been the case hitherto, to meet our fuel requirements. The new fertilizer projects may have to be increasingly based on coal and heavy petroleum feedstocks so that naphtha can be more profitably utilized for the manufacture of petrochemicals. As suggested by the Malaviya Committee, research will have to be undertaken for producing synthetic oil.

Roadblocks to recovery

THE 33RD Conference of the All India Manufacturers Organisation (AIMO) held in the capital on May 5 and the 68th annual general meeting of Punjab, Haryana and Delhi Chember of Commerce and Industry (PHDCCI) held, also in the capital, on May 7, brought into sharp focus some of the ticklish economic problems currently facing the country. Dr B.V. Bhoota, President of AIMO, was of the view that shortages of raw meterials, power, essential imports and inordinate delays in licensing procedures and clearances were responsible for the sluggish industrial growth. Mr Prem Pandhi, Chairman of PHDCCI listed the deteriorating industrial relations as an important element, besides the power crisis, in keeping down the progress of industry. Dr Bhoota pleaded for rationalisation of the direct taxation system and enunciation by government of circumstances and factors which would lead to nationalisation of a particular industry. Mr Pandhi put in a forceful plea for multiple-shift operation in industry for fuller utilisation of available capacity. He cited a study made by Prof Morris J. Soloman which stated: "There is reason to believe that many Indian plants can increase their output up to 500 per cent with little or no increase in investments in fixed plants"- In short, most of the roadblocks to recovery came in for sharp criticism at both the conferences.

That power shortage for the past many months had acted as a brake on industrial output was accepted both by Mr Y.B. Chavan, the union Finance minister, who was the chief guest at the AIMO conference, and by Mr T. A. Pai, the union minister for Heavy Industry, who was the chief guest at the annual general meeting of PHDCCI. Mr Pai stated that he was acutely conscious of the near breakdown which had occurred in the power situation but hastened to add that a situation of this sort could neither be anticipated nor could it be adquately met on a short-term basis. He also said that high-powered bodies were engaged in devising ways and means for making power available on short-term basis and for finding out long-term solutions.

The industry is rightly baffled as to why the government has not taken any short-term measures despite being fully aware of the disastrous consquences of power shortage. It is only too well-known that additional power capacity installed declined from 1.22 MKW in 1969-70 to 0.96 MKW in 1970-71 and still lower to 0.6 MKW in 1971-72. This has caused a wide gap between the capacity required and the capacity available. The indigenous units for the manufacture of power plants have limited capacity and their performance during the last seven years has been extremely poor. Even if plans are now chalked out for their expansion, it would take a minimum of four to five years to deliver the goods. While the policy of self-reliance in the manufacture of power plants is highly desirable, this country should not fight shy of importing power plants to remove the short-term bottleneck. Have we not imported foodgrains, fertilizers and steel to overcome immediate shortages? The capacity for power generation cannot be placed in a lower priority category than steel.

Mr Chavan was right in asking the industry to concentrate its attempts on achieving the target of eight to 10 per cent rate of growth in the next two or three years. He felt that the industry could attain the stipulated goal provided it made a determined effort to utilise fully the excess capacity already built up without worrying about the policy of nationalisation of the government or the inadequacies of government's policies. Mr Pandhi made a suggestion in this regard which merits serious consideration by the government. He put forward the view that the multiple-shift operation which was accepted by the government on January 1, 1972, in respect of priority industries should be extended to non-priority industries, particularly where there is no major additional strain on the country's foreign exchange resources through machinery imports. Surely in areas where the power shortage is not acute and the paucity of raw materials is not acting as a constraint, the government should have no objection to multiple-shift operations.

Mr Chavan's plea that industry's apprehensions about nationalisation were unwarranted, is hardly convincing. On numerous occasions the spokesmen of the government, including the prime minister and the Finance minister, have stated that nationalisation for the sake of nationalisation is not the philosophy of the government but the grabbing game has continued unabated. The nationalisation of 14 leading banks, general

insurance, coal mines, Copper Corporation of India and state take-over of wholesale trade in foodgrains took place during the period when the industry had been held out the above-mentioned assurance. If the business community now finds it hard to take the words of Mr Chavan at their face value, it can scarcely be blamed for it. In the corridors of the secretariat in the capital and in the lobby of Parliament, some industries are named freely by members of the ruling party as being on the list for "takeover" in the government's own good time. It is surely the responsibility of the prime minister and her colleagues to put an end to these demoralising political games.

Mr Pandhi deplored the deteriorating employer-employee relations. Citing the ministry of Labour's latest report, he said that no less than 18 million man-days were lost on account of strikes in 1972. It showed that the government's call for a moratorium on strikes and work-stoppages for a period of three years has had no response from workers. He also mentioned the riotous situation created by the striking workers of textile mills in western Delhi recently when sizeable losses were sustained by sections of society which had nothing to do with the dispute. In Mr Pandhi's view, the influence of outsiders on the trade union movement had been one of the main causes of inter-union rivalry which culminated in ugly scenes to which the capital was witness recently. Enlightened managements in this country have recognised the right of labour "to seek redressal of their grievances" through constitutional means but in many a case inter-union rivalry had resulted in illegal strikes causing in setback to industrial growth. Surely a way should be found whereby these useless stoppages of work, which assist neither the worker nor the country, are stopped.

Mr Pai sought the co-operation of the PHDCCI in evolving a 10-year perspective plan of large workshops on its rolls with a yearly rolling plan. He assured the chamber that if the plans could be made ready in three months' time, it would be possible for his ministry to work out the time-phasing of the different critical inputs. It was clear that Mr Pai was trying his best to place the heavy industry on a sound footing and in this he wanted the assistance of the chamber for mobilising the capabilities of its constituents. This is indeed a challenge to his audience and we hope it would extend all its co-operation in implementing the constructive proposal of Mr Pai which in the long run would help the country as well the industry.

Procurement is a problem

WHAT IS the arithmetic of the union ministry of Agriculture and how does it propose to make a success of its procurement programme out of rabi crops when open market prices are twice or thrice the price fixed for purchasing wheat by the Food Corporation and other state agencies? The spokesmen of the union ministry of Agriculture have been bravely asserting that the crash programme for boosting production in the rabi season has been a success and the target for procurement of eight million tonnes of foodgrains will be considerably exceeded. At first, it was stated that the increase in food production in the rabi season would be as much as 15 million tonnes. Subsequently these extravagant claims were modified and it was accepted that the addition to production would not be more than five million tonnes. It was however pointed out at the same time that the shortfall in the kharif season had been only seven million tonnes and total production of all cereals in 1972-73 would not in any case be less than 100 million tonnes. On the basis of these revised figures there should be a minimum production of 102 million tonnes as the net shortfall, according to Mr, A. P. Shinde himself, would not be more than two million tonnes. The actual production in 1971-72 was placed at 104 million tonnes.

Even with the latest indication that the increase in production will not be more than four million tonnes in the rabi season there should be a net aggregate output of 101 million tonnes. If the skyrocketting of prices for wheat and cereals just when the crops are being harvested is any guide. It would appear that this level of production will not be realised. Total availability should be easily 112.5 million tonnes taking into account the buffer stocks of 9.5 million tonnes held by the Food Corporation and other agencies in the middle of last year and the arrangements for importing two million tonnes on a commercial basis. Already over one million tonnes of wheat and milo have been imported against these purchases while stocks at the beginning of April were estimated at not very much more than one million tonnes.

On the basis of this data, there has been a net absorption from stocks of at least 8.5 million tonnes. If the shortfall in the kharif season had been only seven million tonnes, the pumping of 8.5 million tonnes into consumption should have prevented at least an undue rise in open market prices for wheat. It may of course be argued that supplies must have been kept back by growers when the outlook was not encouraging and it was not known what exactly would be the success attending the efforts of the government to boost production in the rabi season. As against this argument however there were other factors which could have deterred large scale hoarding if there had been a shortfall of only seven million tonnes in the kharif season. There cannot be any dispute about the fact that there were physical stocks of 9.5 million tonnes in July last year. As there had also been a steady decline in concessional imports and even commercial purchases, an increase in buffer stocks by over six million tonnes in three years could be possible only because imported foodgrains at least were in excess of current consumption.

If this kind of reasoning is correct, and there is no reason why it should be otherwise, the maximum consumption could not have been more than 108 million tonnes, which was the peak production in 1970-71. The actual intake in 1971-72 should have been of a much lower order as the procurement drive in May-July last year was completely successful and it was claimed that even the targets were exceeded in several states. The country can probably make do with a gross output of 106 million tonnes. Even allowing for an increase in consumption in 1972-73 by two million tonnes and for hoarding by another one million tonnes, there should have been stocks of 3.5 million tonnes after allowing for the ful requirements of the whole population.

The recent developments however have been disturbing and in spite of the brave claims made by the central government that procurement operations have been more successful in the latter half of April than the corresponding period in 1972, is highly doubtful if arrivals will continue to be satisfactory in the different marketing centres in the coming weeks and the Food Corporation will be able to maintain stocks of three and half million tonnes at the end of November next, after providing for the deficits that might be encountered in July-November to the extent of five million tonnes.

The union ministry of Agriculture has repeatedly stated that there would be no

increase in the procurement price of wheat and retail prices also will be statutorily fixed. The fair price and retail shops will be able to sell wheat at the stipulated prices only if supplies are regularly made available to them by government agencies. With over six lakh tonnes procured by the first week of May and imports of about one milion tonnes yet to be received, it can be safely said that aggregate stocks including imports yet to be received are around two million tonnes. Taking into consideration the additional quantity of seven and half million tonnes yet to be procured it should not be difficult to hold stocks of 2.5-3.5 million tonnes at the end of November. But, will it be possible to reach the procurement target of eight million tonnes and will it be justifiable to expect that the earlier good start will be helpful in mainaining purchases at a high level? There is obviously something seriously wrong basically in official thinking.

The government cannot hope to make a success of its procurement programme until it becomes clear that the output in the kharif season will be normal and the crash programme will be successful. The authorities are right in thinking that additional heavy expenditure should be incurred in the kharif season for boosting food production. This is indeed very important because a calamitous situation will arise in 1973-74 if total production is not at least 110 million tonnes. This would mean an output of at least 75-80 million tonnes in the kharif season and 30-35 million tonnes in the rabi season.

It would be possible to have a clear picture of kharif harvests only by October-November. As growers will not be prepared to part with their stocks in the meantime, and the procurement operations also may take longer to be completed, the government has no alternative to the import of an additional quantity of three million tonnes on a continuing basis. The prospect of the receipt of these imports will prevent excessive hoarding. The distribution system also will not break down even if only six million tonnes are procured by July and the balance of two million tonnes will come out of hoards only after the kharif season is promising. This approach to the problem will also cover up any exaggeration in official estimates about the level of production in 1972-73.

In any case having regard to the fantastic rise in prices for wheat and other cereals in recent months it would be wrong to presume that the farmers and traders can be made to obey the dictates of officials when there is a big divergence between procurement prices, statutory retail selling prices and open market prices. Prudence would dictate respect for economic laws and the conclusion of immediate arrangements for fresh imports of at least three million tonnes of foodgrains. If nature is not unduly unkind in 1973-74 and there is no let up in the crash programme, there could even be a sharp break in food prices in the last quarter of this year. But the situati can be controlled and the necessary ps chological atmosphere created only there is preparedness to accept the rea ties of the situation and expeditious a rangement are made for fresh imports three million tonnes. Will the governme revise its arithmetic and thinking ar act logically?

Shippers getting restless

IN HIS inaugural speech at the sixth annual general meeting of the All-India Shippers' Council, held in Calcutta on the May 5, Prof. Chattopadhyaya, the minister of Commerce, said that shippers were getting "restless" and that the government was under "great pressure" for making conference shipping function as "a true vehicle of trade". He declared that the government of India was determined to remove all the barriers to the growth of exports and that shippers could look to government with confidence to redress their legitimate grievances. But to what extent can the government really help the shippers?

Mr L.N. Birla, the chairman of the All-India Shippers' Council, said in his speech that last year there had been as many as 10 general rate increases, apart from the currency adjustment surcharge on freight rates imposed by the conferences on the devaluation of the US dollar in December 1971. As a resul of the combined efforts of the govern ment of India and the trade, some re duction was effected in the freight hike and surcharges including the currenc adjustment surcharge on the India|UK Continent route. But in January thi year, following the devaluation of the US dollar by 10 per cent, most of the conferences announced the levy of cur rency adjustment surcharge of 10 pe cent or more. Mr Birla regretted that despite the clear acceptance of the fact that cost increases in all cases would not be to the full extent of the dollar devaluation, there was no inclination on the part of the conferences to agree even to reduce partially the currency adjustment surcharge. "All this", said Mr Birla "is undermining the shippers' faith in the consultation approach, which has been one of the sheet-anchors of the discussion formula". Prof. Chattopadhyaya said that the dollar devaluation surcharge had been imposed "not so much for maintaining the take-home freight revenue at the pre-dollar devaluation level but to take undue advantage of the confusion prevailing in the world currency markets".

Eastern Economist 25 Years Ago

MAY 14, 1948

The Tariff Board is currently engaged in conducting an investigation into cloth and yarn prices. It may be recalled that the decision to refer the question of cloth prices to the Board was taken in November, 1947. At that time the Government's intention was to verify the industry's contention that the controlled prices then prevailing were unremunerative so far as coarser varieties of cloth and yarn were concerned. Subsequently, in January this year, before the Board had begun the inquiry, the Government decided to remove statutory price control. They, however, decided that the Board should proceed with its investigation, the idea being tha tthe Government should have an independent and objective standard of reasonable prices whereby to judge how far the cloth industry and trade kept in practice to the promise of fair behaviour towards the consumer after decontrol. It is current history that the promise has not been kept and that a bout of profiteering has overtaken the piece-goods trade particularly since the abandonment of price-stamping and of the gentleman's agreement of voluntary price control by industry since April 25. In the changed circumstances, the purpose and scope of the Tariff Board's enquiry have come to be different from what they were intended to be originally.

But New Delhi has not been able to persuade or pressurise the conference lines to play fair.

Mr Birla deplored the lack of seriousness in implementing the UNCTAD III's unanimous resolution on the freight rates. It had proposed that the conferences would have to submit detailed reports on their working, including full data on their costs and revenue to the shippers and the governments concerned especially when general changes in the freight rates were proposed. This was, in the words of Mr Birla, "a positive move forward" and he expressed the hope that the ship-owners in the developed countries would give greater thought to determining the freight rates realistically and to enforce economies, the benefits of which could be passed on to the shippers.

Prof. Chattopadhyaya also expressed concern at the fact that the UNCTAD III resolution had not produced any visible impact on the functioning of the shipping conferences serving India's overseas trade. They continued to increase the freight rates unilaterally and arbitrarily "regardless of their halting effect on the growth of our exports". Some conferences were taking shelter under the technical plea that they were not a direct party to the UNCTAD resolution. The minister declared that it is "such quibblings that go to highlight the mercenary character of the shipping conferences and emphasise the need to regulate them in such a way as to serve the growing trade needs of the emergent nations".

An interesting fact that was disclosed by Mr Birla was that the shippers of the developing countries had to bear every increase in operating costs even though the basic cause lay in the deterioration of the conditions in the ports of the developed countries. He cited he following instance: Towards the end of January this year, the India|Pakistan|UK|Continental|Conferences levied a surcharge of 15 per cent on shipments to the ports of Avonmouth, Liverpool and Birkenhead in the UK on the ground of poor turnround at these ports. Contrary to the notice issued to shippers in India that the surcharge would be payable by receivers in the UK, the conference later collected the surcharge, which was also enhanced from 15 to 20 per cent from Indian exporters. Mr Birla also stressed at the same time the imperative need to improve the conditions in the Indian ports and augment their facilities.

It is obvious that so long as the Indian shipping industry continues to make inadequate progress, our export trade will have to put up with the hardships arising from high and discriminatory freight rates and the absence of sufficient facilities for shipping our goods to the various parts of the world. About Rs 180 crores are estimated to be the annual outflow of foreign exchange paid to the foreign shipping companies.

Mr Sanjoy Sen of the Eastern India Shippers' Association, who also spoke at the annual meeting of the Shippers Council, quoted certain figures to emphasise the urgent need to develop our shipping industry vigorously. He said, "Our share in the sea-bound trade by volume has remained between 2 and 2.7 per cent during the past 10 years, giving an average of 2.48 per cent, though the world trade has been expanding at the rate of about eight per cent per annum. By the end of the fifth Plan, our trade is expected to reach a volume of 100 million tonnes, that is, about 2.1 per cent of the world trade, which is expected to go up to about 4,694 million tonnes by 1980. If our trade volume rises further, as indications are available, and comes nearer the maximum percentage of 2.7 attained during the last decade, then our shipping tonnage will need to be enhanced to 14.5 million GRT in order to be able to carry 50 per cent of our share of the overseas trade".

But is our shipping industry being given the incentives that it needs to expand rapidly? The government has announced the withdrawal of the development rebate from May 31, next year, but has not made any alternative provision to help the shipping industry. Mr Birla said that if the shipping business is not remunerative, its growth will be retarded, which will affect exports. He suggested that the government should assist the shipping industry by granting loans from the Shipping Development Fund at concessional rate of interest for buying ships. If India is to achieve self-reliance, we should aim at a high level of exports; and since over 95 per cent of our foreign trade moves by sea, the shipping industry should be given all the facilities it needs to strengthen itself. It was pointed out at the meeting that even for sending our goods to the neighbouring countries, we have to rely heavily on the foreign shipping lines. For example, there are not regular sailings to Colombo or the Gulf Ports in west Asia. The problems of the shippers and the shipping industry therefore should receive much greater consideration from the government of India.

Meanwhile, the shippers should strengthen their associations and improve their bargaining capacity. Prof. Chattopadhyaya said that full advantage of the collective bargaining strength could be derived only if the All-India Shippers' Council had a secretariat and a research and development cell of its own. Mr Birla stressed the need for enlarging the limited resources of the Shippers' Council. Mr Sanjoy Sen said that the only real solution available to the shippers was to organise themselves into a strong negotiating body, having the countervailing power to exert effective pressure on the conferences and to ensure the right type of service required at the lowest possible cost. He appealed to all exporters who were still outside the shippers' associations to join them to safeguard their interests and those of the nation. The government of India should also help the Shipper's Council by giving it representation in the Board of Trade and by providing financial assistance for some of its activities from the Marketing Development Fund.

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CATALYST IN KANGRA—II

Nineteen seventyfour is so near

Editor

ANOTHER AREA of high priority as well as reasonably effective performance for the project has been the multiplication and distribution of improved seeds. The project purchases nuclear seed (genetically 100 per cent pure) from the Himachal Pradesh University Agricultural Complex at Palampur and arranges for its multiplication at departmental farms in four centres. The produce of these farms is supplied to selected progressive farmers having assured irrigated areas for further multiplication. These farmers are registered as A class growers and are paid Rs 4 per quintal as roguing charges. In addition to prevalent market price, as an incentive to produce pure seed, the seed purchased from these farmers is stored, cleaned, graded and treated against seed-borne diseases with the help of three seed cleaning and grading machines provided for the project by the German government. The seed is thereafter supplied to other farmers for regular cultivation.

This process of multiplication of good quality seed is repeated under the auspices of the Indo-German Agriculture Project at Kangra every year and arrangements have been made to procure 6,000 quintals of seed from the farmers during the current harvest season.

inferior seed ousted

It has been claimed that the seed programme is now in a position to meet more or less fully the requirements of farmers in the project area. It is also claimed that improved seed multiplied and supplied under the auspices of the project has practically displaced inferior local varieties and that the success here could have been even more complete but for the fact that there are always some highly conservative and stubborn individualists in any community, particularly the peasant community.

The seed programme has concerned itself largely with wheat and to a less extent maize. Very little work has been done with regard to rice. The significance of this programme in the Kangra context is substantial since the National Seeds Corporation does not operate in this area and the farmers do not have access either to any other commercial source for securing their needs of improved seeds. They are also benefiting from the fact that the project has made it its policy to sell the seeds at as low a price as possible, practically at about half the rate charged by the National Seeds Corporation in areas where its agencies are operating. It must also be mentioned that, in the seed multiplication programme, the project is considerably helped by the fact that the agricultural complex of the Himachal Pradesh University which is also situated at Palampur, has proved to be not only a convenient source for nuclear seed but has also been cultivating with the project authorities an exchange of information and ideas.

water management

An aspect of project activity which is likely to become much more important in the future than it has so far been, is water management. As of now, only about 20 per cent of the cultivated area in Kangra district has assured irrigation. This is a severe constraint on the extension of the development activities of the project as well as on the economic growth of the area itself. The project has already done some work in soil conservation by promoting extensive terracing of fields, where necessary, with the help of bulldozers.. Some work has also been done on establishing lift irrigation from *khuds*.

It is however felt that only a successful programme of tubewell irrigation can make some impact on the irrigation potential of the area. A tubewell programme has thus entered the list of priorities drawn up for the project. Although the beginnings of this programme were disappointing, some progress seems to have been made more recently. So far nine tubewells have been bored with the help of a percussion rig supplied by the German government. Mr Peter Kuester, who assumed responsibility for the activities of the tubewell irrigation division of the project some time ago, has had no easy job in getting the programme on the rails. The tubewells have had to be brought down in extremely difficult substrata, where boulders of every size have created problems for drilling. This situation has not been improved by an almost complete lack of geological data.

boring programme

Out of the nine tubewells so far constructed, four are yielding a higher discharge than 200 m 3/h (50,000 gph) and are therefore in a position to supply water for irrigating about 100 acres each. Six of the nine tubewells are at the moment ready for delivering water but only temporary arrangements have been made for the distribution systems. The remaining three wells are expected to be commissioned in the near future. Besides the percussion rig, Bonn has also supplied the other equipment and tools required for the construction of deep bore holes, while some of the rupees released by the sale of fertilisers gifted by the German government are also being utilised for meeting other expenditures on the programme. It is worth mentioning that a rotary rig has been recently purchased from a Bombay engineering firm by the project authorities.

So far the tubewell programme seems to have been operating on an *ad hoc* basis. The intention now is to work out a master plan with the assistance of the Haryana Minor Irrigation Corporation so that the risk of constructing wells with lower yields may be reduced and tubewell sites selected with a view to the development of a closed area in a more methodical way. Simultaneously, a systematic plan has also to be

drawn up for organising in time complementary water distribution systems through underground pipelines.

Apart from the main programmes of fertilizers, seeds and irrigation, the project has engaged itself to a greater or less extent in a number of auxiliary developmental activities. To assist expand potato cultivation on a commercial scale, the distribution of potato seed free from virus diseases, particularly a high-yielding variety called *Chandermukhi*, has been organised from the Pekhubela farm in Una district. Cultivators are given pesticide at cost, the use of spraying equipment free of charge, technical advice and general guidance on pest control. Sugarcane, too, has received some attention, about 2,000 quintals of Co 1148 seed having been distributed in three blocks during 1971-72.

horticultural development

The state government's interest in horticultural development is well-known and it seems to have realised that the Kangra region has considerable potential for the commercial planting of fruit tress, such as citrus, mango, litchi, almond and, especially stone fruits such as peaches, plums and apricots. About 68,000 fruit plants were distributed through the project in 1971-72 and this supply is estimated to have been increased substantially to 139,832 plants in 1972-73. Incidentally, encouraging results have been achieved in rejuvenating fruit trees which had developed symptoms of yellowing. The use of zinc sulphate and other micronutrient sprays has proved effective in this connection.

On the place of animal husbandry in the project's scheme of things, I encountered some difference of opinion. The German view seems to be that breeding programmes could only be of limited significance so long as there is no substantial improvement in fodder resources. Another problem, which is in fact also a national problem, is the presence of uneconomic cattle in excessive numbers. The German experts are naturally not too keen on talking frankly on this rather delicate subject, but they are quite clear in their own minds that the limited resources at the disposal of the project should not be applied to areas of development where the prospects of achievement are not particularly bright. As a result, the project's interest in such animal husbandry activities as artificial insemination centres, where Jersey semen is propagated seems to be minimal. Incidentally, such statistics as are available on the working of these centres are not particularly impressive. For instance, as against 9,947 artificial inseminations performed in 1969-70, 9,894 in 1970-71 and 11,587 in 1971-72, the numbers of calves born were 2,374, 2,362 and 3,007 in the respective years. It must however be said to the credit of the farmers in this region that it has not been particularly difficult to persuade them to take to artificial insemination for cows.

The administrative set-up for the project is not lacking in elaborateness. At the state-level there is a co-ordination committee of which the Agricultural Production Commissioner is the chairman. On this committee are represented the West German government, the government of India, heads of the concerned departments of the state government, the deputy Commissioner of the district in which the project is functioning, the Project Officer and MLAs and progressive farmers nominated by the state government. This committee is supposed to address itself to the removal of bottlenecks at the state level.

At the level of the district, there is a project management committee headed by the Deputy Commissioner, with the German leader of the project and the Project Officer as the other members. This committee is the effective operational agency for the project. It functios through specialists in the relevant fields and frames the programmes which the block development officers are responsible for implementing with the assistance of extension officers and village-level workers.

effective management

The effectiveness of the project management committee depends very much on the Deputy Commissioner and his two colleagues being able to function in an atmosphere of constructive co-operation. The personal element is of course of the utmost importance. The German leader of the project, particularly, shoulders a heavy responsibility. Although the selection for this assignment is made with the greatest care on the German side and the individual selected arrives at his post with a certain amount of background and training for his special responsibilities, it is not always possible to avoid friction when people with differences in social and economic background, motivation or temperament have to work shoulder to shoulder. Although the German group at Palampur has probably had its headaches in this respect, its leader, Dr Harmann Braun, seems to have been reasonably successful not only in building up a coherent team of his own experts numbering five (excluding himself) but has also developed sound working relations with his Indian counterparts. In fact, one of the present aspects of the Kangra project is the agreement and harmony which seem to be the general rule of this partnership of German and Indian experts or specialists.

There is, however, the unfortunate fact that this project has been compelled to function in the context of a general belief among the people of the region that they can expect only step-motherly treatment from the state government. Having been formerly in the state of Punjab and integrated later into the new state of Himachal Pradesh, the Kangra region believes that it has reason to fear that its needs or problems do not have the same relevance to Simla as the difficulties or demands of the areas of the 'old' Himachal Pradesh. Given this psychological atmosphere, the people are apt to seize quickly on any alleged sign of neglect on the part of the state government.

genuine grievance

There is a grievance, for instance, that the state government has not cared to appoint all the Indian specialists or officers sanctioned for the project. It is argued that, unless these appointments are made without further delay, the whole concept of the German experts training their Indian counterparts in time would be ruined since the project, as at present envisaged, may be wound up in 1974. It is doubtful that the Deputy Commissioner, with the best will in the world, could by himself involve the state government in the development of this area to an extent that would be sufficient to make an impact on the psychology of the people of Kangra. It is clear that only the chief minister—since so much in Himachal Pradesh must be laid on the broad shoulders of Dr Parmar—can at all act to win over the aggrieved people of the Kangra region.

Apart from the larger issue of regional priorities for the state government, there are also the difficulties created for the project even in terms of day-to-day running. Customs regulations relating to the import of materials or equipment supplied to the project by the German government are habitually consuming the valuable time of the project authorities, particularly the German leader or his deputies, who have to run up to Bombay frequently for complying with formalities for the clearance of consignments.

A more serious bottleneck is the failure

of the state government to ensure expeditious utilisation of the rupee funds raised for the project by the sale of the gifted fertiliser or other materials from Germany. The present position seems to be that an amount of over Rs 20 lakhs, representing the proceeds of the 'German mixture' received by the project, has not yet been released for programmes which the project authorities have drawn up and are awaiting implementation. The difficulty here seems to be that the government of India has recently decided that the project should register itself under the Societies Registration Act before this or further amounts raised for the project could be released to them. The question that arises here is, if certain legal formalities are considered important, why should they not be proposed and completed without the work of the project being held up.

blocked inputs

Incidentally, at the time of our party's visit to the project, it was learnt that, due to the appreciation of the DM and the increase in transport and handling charges, the government would have to increase the price at which the 'German mixture' could be sold to farmers. Here, again, there seems to have been some delay in the functioning of the governments' decision-making machinery. Although perhaps less than two months remain for the monsoon breaking out and the fields to be prepared for sowing, the project is unable to arrange for the distribution of the fertiliser it has in stock since its price is yet to be fixed. In a region where transport is not easy, such delays could conceivably disrupt the timely movement and distribution of fertilisers.

The West German government has so far given the project assistance in kind aggregating to Rs 1.5 crores. While fertilisers form the largest component of this assistance, other key materials such as transport vehicles, equipment for workshop for maintaining these vehicles, rig for drilling and an assortment of other development aids including pesticides have gone into the totality of the aid which Bonn has been extending to Palampur.

The project has been in existence for about six-and-a-half years and its remaining life, unless extended, will be about a year and a half more. Naturally the question may be asked whether it has made any ascertainable difference to the socio-economic circumstances of the people in the project area or its neighbourhood. Here, unfortunately, there is very little basic data to go by. The project, in fact, has been functioning more or less in a statistical vacuum, the state government's own facts and figures being both meagre in quantity and unimpressive in quality. Anyone who attempts to estimate the impact of this project may therefore have to go by his own general impression.

The Kangra region has been broadly self-sufficient in wheat and maize. It is possible that it has become slightly surplus in wheat although it buys back from Punjab later in the year a part of the post-harvest despatches it makes to that state. The area however is deficit in rice but not to an extent which compromises its overall food economy. The members of the press party were given some data relating to consumption standards, showing increases in such factors as radio licences or bank deposits. No ready inference can be drawn from this information. In Kangra virtually every peasant family has one male member or more serving in the Defence Services and is therefore the beneficiary of remittances from its soldiering son or sons. Some of my colleagues of the press party tried to do their own economic investigation by questioning individual farmers , but the results, I am afraid, were not very rewarding. The contents of the replies they got depended usually on how the farmer questioned happened to feel about the *gram sewak* or the block development officer. It was clear that individual experiences or even personal prejudicies influenced the response.

evaluation team

The technical university of Berlin, under its programme of post-graduate training in agricultural development, has sent out a team of six post-graduates under Professor Dr R.C. Agrawal to study the impact of the Kangra project on farmers and farming in the area. Dr Agrawal's colleagues on the team are all young Germans with degrees either in Economics or Agriculture. At the time our press party was in Palampur, Dr Agrawal's team had already completed a substantial part of its field enquiry or investigation, but even so neither he nor any other member of his team was in a position to say anything definitely about specific socio-economic changes or benefits attributable to the project as such. It is possible that the Agrawal enquiry may have lost in precision but the fact is that some of the 'control' units selected by the investigators happen to lie close to the blocks where the project's efforts have been concentrated. There can therefore be a strong suspicion that these 'control' units have received the spill-over effects of the programmes of the project. In any case, whatever its limitations, Dr Agrawal's enquiry report, when ready, should be able to provide some basis for evaluating this project over a period.

In the meantime, it could certainly be claimed that the popularisation of the balanced fertilisers and the vigorous programme of seed multiplication and distribution in an area where there are no other services or facilities of this kind should certainly have helped farmers and farming in this area. Whether the work done by the project will leave a permanent impression after it has been wound up — if not at the end of the present extension period up to December, 1974, some time later in the future — remains to be seen. But such anxiety as there may be on this score could become considerably less if the Agricultural Complex of the Himachal Pradesh University at Palampur could more vigorously associate itself with agricultural development work in the field. In fact, it is rather strange that there has not been more collaboration between this excellent facility and the Indo-German project or even the state government's agricultural agencies in this region.

casual appointment

Incidentally, Dr H.R. Kalia, Dean, College of Agriculture, Palampur, was asked to act as the Dean of the Agricultural Complex when it was set up in September, 1970. Dr H.C. Pant, Professor of Entomology at the Indian Agricultural Research Institute, Delhi, was subsequently appointed as regular Dean and assumed charge on February 1, 1972. At the end of just five months, i.e., on July 31, 1972, Dr Pant decided to give up this assignment and revert to his parent post at the Indian Agricultural Research Institute. Dr Kalia has again been asked to act as the Dean of the Agricultural Complex with effect from August 1, 1972. I leave it to the reader to make what he thinks of this way of running important institutions. I would only suggest that it is inconceivable that the government in Bonn could have allowed the appointment, for instance, of the German group leader at Palampur to be handled in this fashion. Let us realise that the Indo-German project can only act as a catalyst in Kangra—and December 1974 is not so far away after all.

As I conclude this article, I read in the papers that the Himachal Pradesh government has decided to spend Rs 22.89 crores on the development of Kangra district. Of this amount, Rs 1.92 crores will be spent on farm development, Rs 95.40

lakhs on minor irrigation, Rs 71 lakhs on forests, Rs 1.03 crores on irrigation and power and Rs 63 lakhs on industries and mining. Whether this decision adequately reflects a recognition on the part of the Parmar administration that the so-called 'new' Himachal is justified in having a sense of grievance that it has so far not been dealt with as fairly as the 'old' Himachal is not a question which can be debated very usefully. What matters is that Simla apparently realises that the Kangra region deserves to have its agricultural and other development potential attended to more effectively in the future. It may therefore be expected that the Indo-German Agriculture Project in the Kangra district will also benefit from this awareness on the part of the Parmar administration and that it will contribute substantially to the success of the development programme which the Himachal Pradesh government now claims that it has decided to pursue in the Kangra district with vigour and sufficient resources.

(This is the second and concluding part of the article. The first part appeared in our issue dated May 11.)

Investment pattern in public sector

N. K. Nair &
Rajendra Prasad

PUBLIC SECTOR can either be a powerful competitor or a major partner in any national economy. Either way it could be, functionally, a passive follower or an active leader in the industrial development of the country. By an active partner is meant one which leads in structuring the technological and industrial composition of the economy. On the contrary, if it follows developments elsewhere in the economy, say in the private sector, it is passive. Following is an attempt to study the compositional trends of the public sector investments in terms of broad industry divisions, pointing to the critical gaps it has to fill in to structure the industrial base of the Indian economy, besides assessing its contribution to the overall development of Indian industries.

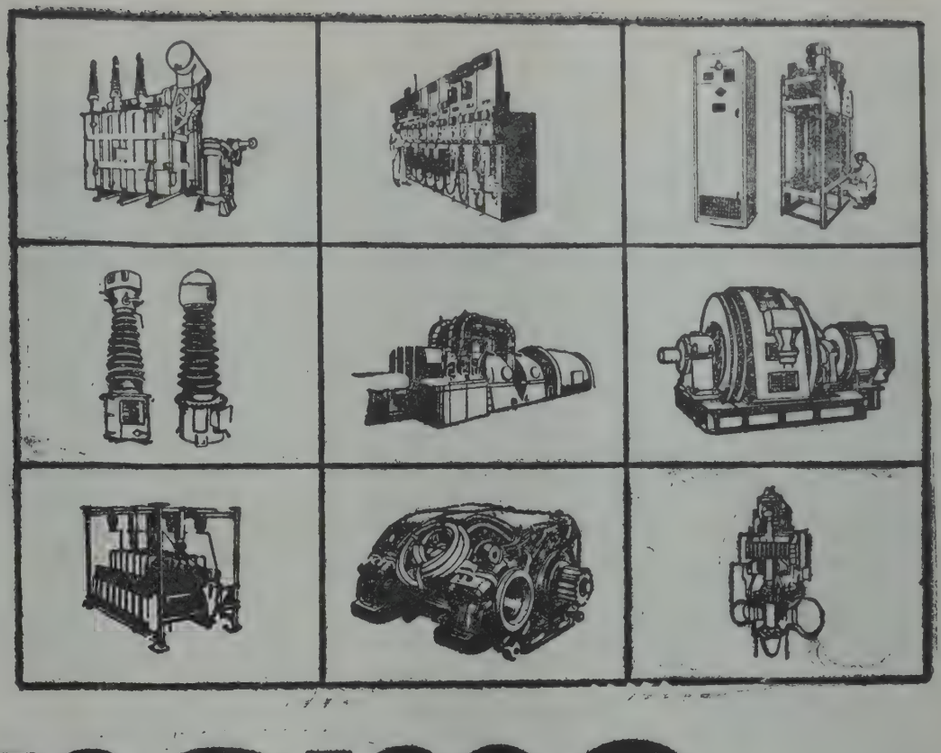
The present study is limited to what may be called public sector industrial, metal and mineral undertakings. The total number of such concerns, in 1969-70 was only 91 including commercial and miscellaneous undertakings. Six of them have been set up as statutory corporations, while 85 are incorporated as government companies. These undertakings differ from one another not only in the scope of activity, but also in regard to the stage of construction and development attained.

With a cumulative investment of the order of Rs 4,682 crores in the strategic sectors, including iron & steel, heavy engineering, ship-building, chemicals and fertilizers, petroleum and oils, mines and minerals, and aviation and shipping, in 1970-71, public sector undertakings have emerged as an important lever of our economic growth. Within a decade, from 1960-61 to 1970-71, the progress which the public sector has attained in terms of its cumulative investment, is nothing but impressive (from Rs 821 crores in 1960-61 to Rs 4,682 crores in 1970-71). These figures are inclusive of the investments incurred in what are called commercial, financial, promotional and miscellaneous undertakings. However, the share of this trading sector in the cumulative total investment in the public sector was not substantial to begin with, even though the same has, altogether, been on the increase during the recent years. From a negligible amount of two crore rupees up to 1964-65, the investments in this sector has increased to Rs 268 crores in 1968-69, and then to Rs 314 crores in 1969-70. With only three undertakings in the sector, viz. Food Corporation of India, State Trading Corporation of India, and Minerals and Metals Trading Corporation, its percentage share in the total public sector investments works out to 7.30 during 1969-70 and 6.70 during 1970-71.

Though the economic performance of many of these undertakings has been disappointing,[1] nevertheless, the share of public sector in all the economic spheres of the country is on the increase as is borne out by Table I (p. 999).

The share of the public sector undertakings in total gross domestic product increased from 1.5 per cent in 1960-61 to 2.8 per cent in 1965-66 and then to 3.4 per cent in 1968-69, whereas in the case of net domestic product the rate of change is a little slow. The increase in the percentage share of public sector undertakings is highly impressive in the case of gross fixed capital formation. From a percentage share of 3.53 in 1956-57, the position of public undertakings increased to 16.6 in 1960-61 and then again 20.44 per cent in 1968-69. Out of the total planned investment in industries and minerals, the public sector including departmental and non-departmental undertakings was accounting for about 15.08 per cent in the first Plan. This has increased to about 47.53 per cent during the second Plan and then to 51.06 per cent in the third Plan. The rise in the percentage shares of public sector in general and public sector undertakings in particular, in the total gross domestic product, net domestic product, fixed capital formation and planned investment in industry and minerals is indicative of the gradual predominance of this sector over the entire industrial activity of the economy.

The high annual growth rate of these quantities, recorded by the public sector when compared to their respective all-India totals provides indication of speed with which the sector acquired predominance. The anticipated investment pattern during the fourth Plan period in no way reduces the rate of growth of these magnitudes; in fact an accelerated growth is expected. "Taken as a whole, the public sector investment would strengthen the control of government over the commanding heights of the economy. Thus the public sector will account for a little over three-fourths of the investment envisaged in the 'core sector' during the fourth Plan



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period, the balance being the share of the private sector. Looked at from another angle, the 'core' industries would represent approximately 80 per cent of the total investment of around Rs 3,000 crores in large industries and minerals in the public sector. Thus both in terms of the proportionate magnitude of investments and the nature of investments the public sector will occupy a preeminent position in the industrial field by the end of the fourth Plan."[2]

Whether the high order of investments channelled to attain the expansion is justifiable, when judged by the criterion of economic efficiency, in a conservative sense or otherwise, is contestable. No attempt has been made in this study either in favour or against it. However, the fact that developments in technology and inter-industry composition of this ever growing sector will have its vast implications on structuring the base of industrial economy of India is now undisputed. More specifically, it is neither the quantum of resources going into public sector undertakings nor the output raised by these undertakings that is crucial but the kind of industrial activities that are being carried out by this sector.

Change in structure

From a nucleus of investment programmes in the essential services like Post & Telegraphs and Railway in the early fifties, the public sector has undergone vast changes both in its structure and its magnitude. The inclusion of steel in its sphere of activities in the late fifties, expansion of heavy engineering and ship-building in the early sixties, investments incurred in petroleum and oil in the sixties, mass investment activities undertaken in the sphere of oil and mineral exploration in the late sixties, etc. are intended to diversify and strengthen the industrial base of the economy. Establishment of the Food Corporation of India, State Trading Corporation, Metals and Minerals Trading Corporation, Electronic Corporation, Uranium Corporation, etc and a whole network of financial and promotional undertakings, has added momentum to these diversifying trends. The structural base of the sector was further widened during the late sixties, when the sphere of activities expanded to textiles, following the establishment of National Textile Corporation, to cement through the Cement Corporation, to paper by setting up the Paper Corporation, and so on. Further, "the public sector will enter the field of consumer goods industries, particularly in fields in which adequate private investment is not forthcoming. Apart from the activities of the public sector through co-operatives in sugar and textiles, specific provision has been made for other consumer industries like pharmaceuticals, cement, paper, scooters and watches." However, even with these bold expansion schemes, there occurred shifts in inter-industry composition of these undertakings during the 20 years which has led to critical bottlenecks and the consequent delays in the achievement of planned targets in the 'core' sectors.

A precise composition of the industrial investment is not always available. The inter-sectoral and inter-industry classifications have always been overlapping. The correctness of the reported shares of the various major sectors like agriculture, industry, minerals, etc, has also been doubted for certain important reasons. For instance "Inter sectoral classification, as also the distinction between investment and current outlays have not always been consistently drawn in the different plans...Moreover, the likelihood of a careful economist's acceptance of these estimates as reliable is somewhat shaken by occasional confusions in the plan documents between 'real' and 'financial' resources."[3] However a limited and shrewd idea regarding the industrial composition of these investments is given in Table II.

Table II takes into account only of industrial undertakings. Commercial, financial, trading and miscellaneous undertakings are not covered.

haphazard growth

Even though the absolute amounts of investment (at current prices) have shown remarkable and impressive increases during the period, the rates of growth have not been uniform for all of them. While steel had got only an investment of Rs 7.75 crores to begin with it had increased to Rs 518 crores in 1959-60 and to Rs 606 crores during the last year of second Plan. The engineering sector has made slow progress from Rs 36.70 crores in 1955-56 to Rs 43 crores and Rs 50 crores in 1959-60 and 1960-61 respectively. Investments in chemicals and fertilizers show still lower rates of growth during the fifties.

The tendency of the fifties got reversed during the sixties, marking a high rate of growth in terms of investments for engineering sector from Rs 56 crores during 1961-62 to Rs 1,087 crores during 1970-71. Investments in petroleum and oil also increased from a negligible amount in 1961-62 to Rs 399 crores during 1970-71. Even though investment in mining and minerals had increased from Rs 59 crores in 1961-62 to Rs 410 crores in 1970-71, and that of petroleum and oil from Rs 75 crores to Rs 534 crores, the rates are, by no means, impressive.

heavy investment

Contrary to the experience in these sectors, the rate of growth of steel has been quite slow. During this decade it has resulted in a doubling of investments in the steel sector. An instrumental interpretation of this slow rate should not be attempted because of the high order of investment having gone into the sector during the fifties. This rather heavy investments in the sector had been justified on the basis of the critical requirements of steel as a basic metal in the construction, transport and machine building activities. The bulk of investments incurred in this sector could be accounted for by a single undertaking viz. Hindustan Steel Ltd in its three major units, Bhilai, Durgapur and Rourkela. Consequent slow rate of growth of investments in this sector in the sixties has resulted in a progressive decline of the share in the total investment made in public sector undertakings. From about 77.48 per cent in 1961-62, its share has progressively declined to 41.76 per cent during 1966-67 and then got stabilized around 38 per cent for the subsequent years of the sixties. This stability is because of the high order of investments earmarked for the sector during the fourth Plan period.

With the creation of a sound capacity for steel, increasing the pace of investments in other sectors, particularly the engineering sector, assumed paramount importance. There are two main reasons for the expansion of heavy engineering sector in the sixties:

(1) to provide a readymade market for the indigenously produced steel; and

(2) to meet the growth requirements

TABLE I

Share of Public Sector in India

(Rs crores)

	1956-57		1960-61		1965-66		1968-69	
	actual	%share	actual	%share	actual	%share	actual	%share
1. Groos Domestic Product* (at current prices)								
India (total)			14101	100.00	22004	100.00	30587	100.00
Public sector (total)	Not available		1534	10.90	2957	13.40	4290	14.00
(a) Govt. Admn.			735	5.20	1367	6.20	1994	6.50
(b) Dept. Enterprises			586	4.20	973	4.40	1243	4.10
(c) Public Undertakings			213	1.50	617	2.80	1053	3.40
2. Net Domestic Product* (at current prices)								
India (total)			13366	100.00	20786	100.00	28936	100.00
Public Sector (total)	Not available		1419	10.60	2740	13.20	3945	13.60
(a) Govt. Admn.			735	5.50	1367	6.60	1994	6.90
(b) Dept. Enterprises			522	3.90	890	4.30	1140	3.90
(c) Public Undertakings			162	1.20	483	2.30	811	2.80
3. Gross Fixed Capital Formation								
India (total)	1527	100.00	2021	100.00	4025	100.00		
Public Sector (total)	615	40.30	1053	52.10	2079	51.70	Not available	
(a) Govt. Admn.	181	11.85	278	13.76	475	11.80		
(b) Dept. Enterprises	381	24.95	438	21.67	782	19.43		
(c) Public Undertakings	53	3.53	337	16.67	822	20.44		
4. Planned Industrial Investment	First Plan		Second Plan		Third Plan		Fourth Plan	
India (total)	398	100.00	1620	100.00	2605	100.00	Not available	
Public Sector (total)	60	15.08	770	47.53	1330	51.06		

*Revised Series.

Sources: For GDP & NDP, C.S.O., *Estimates of National Product 1960-61—1969-70*, Pp 12-13.
For Gross Fixed Capital Formation, R.N. Lal, "Capital Formation in India 1950-51—1965-66" Paper submitted at the Seventh Indian Conference on Research in National Income (mimeographed), Hyderabad, 1970.
For Planned Industrial Investment, United Nations, *Industrial Development of Asia and the Far East*, Vol. II, New York, 1966, p.247.

TABLE II

Cumulated Investments in Public Sector Industrial Undertakings (Central Sector)

(Rs crores)

	1955-56	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Steel	7.75	518.00	606.00	664.00	724.00	804.00	890.00	981.00	1067.00	1179.00	1305.00	1419.00	1538.00
	(10.15)	(81.96)	(81.00)	(77.48)	(56.87)	(51.74)	(48.06)	(45.04)	(41.76)	(38.90)	(38.39)	(38.39)	(38.76)
Engineering & Ship Building	36.70	43.00	50.00	56.00	198.00	278.00	365.00	501.00	635.00	851.00	960.00	1020.00	1087.00
	(48.07)	(6.80)	(6.75)	(6.53)	(15.55)	(17.89)	(19.71)	(23.00)	(24.85)	(28.06)	(28.34)	(27.60)	(27.39)
Chemical and Fertilizers	30.90	34.00	35.00	75.00	135.00	172.00	198.00	220.00	282.00	350.00	421.00	489.00	534.00
	(40.47)	(5.38)	(4.73)	(8.75)	(10.60)	(11.07)	(10.69)	(10.10)	(11.04)	(11.55)	(12.42)	(13.23)	(13.46)
Petroleum & Oil	—	—	0.57	3.00	110.00	170.00	241.00	295.00	337.00	378.00	403.00	399.00	399.00
			(0.08)	(0.35)	(8.64)	(10.94)	(13.01)	(13.54)	(13.18)	(12.49)	(11.89)	(10.80)	(10.06)
Mines, Minerals and Metals	1.00*	37.00	49.00	59.00	106.00	130.00	158.00	181.00	234.00	273.00	299.00	368.00	410.00
	(1.31)	(5.85)	(6.61)	(6.88)	(8.34)	(8.36)	(8.53)	(8.31)	(9.16)	(9.01)	(8.83)	(9.98)	(10.33)
Sub-Total	76.35	632.00	740.47	857.00	1273.00	1554.00	1852.00	2178.00	2555.00	3031.00	3388.00	3696.00	3968.00
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Public Sector Total	N.A.	700	821	961	1400	1705	2037	2415	2841	3333	3902	4301	4682

*South Arcotic Lignite Project, Rs 0.50 crores and Indian Bureau of Mines & Geological Survey of India, Rs 0.50 crores.

Sources : (*i*) For 1955-56 Computed from second five-year Plan, pp. 417-419.
(*ii*) For 1959-60 to 1970-71 Bureau of Public Enterprises, *Annual Report on Public Sector Undertakings* of the central government for respective years.

for capital goods industries, particularly items of heavy machinery.

It is not clear whether the twin objectives have been met with. But the share of public sector industrial investments in the engineering sector has shown a remarkable increase from 6.53 per cent to 27.39 per cent within a decade. As in the case of steel, the tendency after 1967-68 was for investment to stabilize around 27 to 28 per cent with a declining trend of a low order. This stability during the years 1968-69, 1969-70, 1970-71 could be attributed to the relatively low order of priority extended to the sector during the entire fourth Plan period.

The trends noticed in the case of both chemicals and fertilizers and mining and minerals sectors are more or less the same. The respective shares of both had increased, but not substantially when compared to the engineering sector. In both the sectors, investments showed slight increases, in terms of percentage shares, during the first three years beginning from 1961-62. An apparent tendency to stabilize itself with year to year marginal fluctuations is visible for the following three years. The increasing trend set in only after the commencement of the fourth Plan period. The relatively high priority extended to these sectors in the fourth Plan is worth mentioning in the context.

The strategic sector of petroleum and oil has been characterised by a low percentage share in the beginning of the decade (0.35 per cent during 1961-62). This has increased sharply during the next year (about 8.64 per cent) and subsequently the rate of increase has been slowed down. The share of this sector has reached the maximum during 1965-66 following the setting up of the Indian Oil Corporation amalgamating Indian Refineries Ltd and Indian Oil Company Ltd in 1964, establishment of Cochin Refineries Ltd. in 1963, Madras Refineries Ltd. in 1965 and Lubrizol India Ltd. in 1966, and a tendency for a progressive decline is clearly visible for the subsequent years Despite the top priority extended to the sector in the fourth Plan, the investments in the sector has not made any appreciable improvement during the years, 1969-71; in fact its percentage share has declined from 12.47 in 1967-68 to 10.06 in 1970-71.

The kind of shifts in investments incurred during the second and the third Plans in favour of engineering and ship-building, steel and petroleum have nearly pushed the remaining two sectors virtually to an insignificant position. The declining emphasis given to these two sectors has immediately been reflected in the total output composition of the sector, as is given in Table III.

While the sales turnover of petroleum & oil sector continued to expand at a phenomenal rate during the decade, that of steel had also registered an upward trend, but by a slower rate of growth. The rate of growth of the engineering sector is also impressive especially after 1967-68. The 'core' sectors of chemicals and fertilizers, and mining and minerals have shown an increasing output all through these years, but in no way satisfactory, the result of which is fairly pronounced at their respective declining percentage shares. From a percentage share of 18.10 in the total sales turnover of the public sector undertakings in 1961-62, chemicals and fertilizers has declined to but 6.35 in 1968-69 and then increased slightly to 7.23 and 7.28 for the remaining two years respectively. Not only did the percentage share of mines and minerals remain insignificant when compared to other sectors in the base year 1961-62, but even this share declined from 9.38 to 6.28 in 1970-71 with year to year marginal fluctuations.

The swing in favour of engineering, petroleum and oil and steel is more or less the tendency of the economy, during the sixties, not to speak of public sector alone. While the physical output in chemicals including fertilizers has doubled between the years 1960 and 1968, that

TABLE III

Sales Turnover (Industry wise) of the Public Sector Undertakings (at Current Prices)

(Rs crores)

	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Steel	12.16	40.97	70.89	124.41	181.06	204.88	238.81	231.01	251.77	320.38	381.33	417.35
	(19.85)	(40.20)	(46.82)	(51.03)	(51.29)	(45.83)	(36.99)	(28.02)	(23.97)	(23.87)	(23.54)	(22.42)
Engineering & Ship Building	22.44	27.46	33.06	44.56	52.47	63.37	86.56	118.38	164.98	231.39	259.79	312.29
	(36.62)	(26.95)	(21.84)	(18.28)	(14.85)	(14.18)	(13.41)	(14.36)	(15.72)	(17.24)	(16.04)	(16.78)
Chemicals & Fertilizers	17.58	19.85	27.41	32.74	43.82	41.39	43.91	57.21	71.09	85.23	117.15	143.29
	(28.69)	(19.48)	(18.10)	(13.43)	(12.41)	(9.26)	(6.80)	(6.94)	(6.77)	(6.35)	(7.23)	(7.68)
Petroleum & Oil	—	0.78	5.83	24.88	55.96	114.49	232.55	367.05	492.06	604.24	744.05	871.67
		(0.77)	(3.85)	(10.21)	(15.85)	(25.61)	(36.02)	(44.52)	(46.88)	(45.02)	(45.93)	(46.83)
Mines and Minerals	9.09	12.84	14.20	17.18	19.72	22.83	43.62	50.99	69.77	100.85	117.61	116.81
	(14.83)	(12.60)	(9.38)	(7.05)	(5.59)	(5.11)	(6.76)	(6.19)	(6.65)	(7.51)	(7.26)	(6.28)
Sub-Total	61.27	101.90	151.39	243.77	353.03	446.96	645.45	824.62	1049.67	1342.09	1619.93	1861.41
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Public Sector Undertakings (Total)	131.86	211.73	285.91	398.51	516.99	656.38	1010.89	1404.66	1845.01	2433.83	2985.37	3298.13

Note : Figures in brackets show the respective percentage shares.

Source : Bureau of Public Enterprises, *Annual Reports of the Working of the Industrial and Commercial Undertakings of the Central Government* for various years.

of engineering sector, consisting of machinery including electrical machinery, has almost tripled. This is clear from Table IV. While the index of industrial production (base 1960—100) in the case of the leading sectors, viz. petroleum and engineering reached a level well above 260, that of 'core' sectors like non-metallic mineral products, basic metal industries including non-ferrous metal, metal products except machinery and chemicals, and chemicals products reached figures below 200. While the rate of expansion in the case of the leading sectors has more or less been satisfactory, that of other sectors has been shy and sluggish.

The extent of imbalances developed during the decade, and the consequent gaps, shortages and bottlenecks generated have been shown by these magnitudes. The retention of such imbalances for a full decade has affected India's industrial growth in general and engineering sector in particular, because of a low demand forthcoming for the products of the sectors. "By far, the most serious constraint, however," admits the Mid Term Appraisal, "has been the limitation of capacity in a large number of industries. This includes a number of key industries like steel, non-ferrous metals, agricultural tractors, fertilizers, paper and newsprint, cement, petrochemicals, certain inorganic chemicals like caustic soda, and soda ash, automobile tyres and tubes etc. In fact, in may of these commodities shortages have emerged and substantial imports have had to be made."[4]

There seems to be a remarkable shift in the investment patern in industry and minerals during the late sixties and seventies, for the fourth five-year Plan states that "there is first the need to achieve self-reliance. With investment growing at a higher rate than aggregate income and given the rapid expansion of demand for manufactured inputs going into agriculture, the economy's requirements for capital equipments, metals, petroleum products and chemicals are growing fast...Consequently the projected developments along with a progressive movement towards self-reliance necessitates a relatively faster expansion of the domestic production of these industries over the next decade or so".[5] The document continues: "The major proportion of the outlay in the public sector is intended for the completion of projects already under implementation and projects on which investment decisions have been taken. New investments are envisaged in high priority fields like fertilizers, pesticides, petrochemicals, non-ferrous metals and development of iron ore, and rock phosphate resources. New investment in engineering industries is limited to a few comparatively small projects for filling critical gaps."[6]

In the light of these objectives an attempt is made to assess the envisaged pattern during the fourth Plan and the likely cumulative sectoral total investments, the targets achieved, etc. The quantitative results are given in Table V (p. 1002). The total investment in industry & mining sector proposed in the Plan is of the order of Rs 3150.86 crores, of which the reported table takes into account only Rs 2672.46 crores. into account only Rs 2672.46 crores. been excluded because none of them comes into the definition of the sectors.

In the envisaged investment pattern during the fourth Plan, the engineering sector is extended relatively low priority when compared to other 'core' sectors.[7] Whereas steel sector continues to enjoy the same position it had when the Plan began, 38.39 per cent of the total cumulated investments during 1968-69, substantial step up has been made both in the case of fertilizers and chemicals and mining and minerals. As against a percentage share of 12.42 in the total cumulated investments in 1968-69 for fertilizers, the percentage allocation during the entire fourth Plan period is 22.1. Corresponding figures for mining and minerals are 8.83 and 19.34 respectively. The position of petroleum and oil is intended to be of the same order. The anticipated pattern emerging at the end of the fourth Plan shows a major share still going to the steel sector, but engineering sector comes significantly down

TABLE IV

Index Numbers of Industrial Production

(Base 1960=100)

Code	Industry	1961	1962	1963	1964	1965	1966	1967	1968
31	Manufacturing of Chemicals & Chemicals Products	113.3	121.8	134.0	145.0	153.9	168.4	172.2	197.4
32	Petroleum Refinary Product	106.0	114.6	133.1	146.7	158.7	195.9	234.2	260.1
33	Manufacture of Non-metalic Mineral Products	106.9	116.3	130.2	138.6	149.1	148.1	155.8	154.6
34	Basic Metal Industries	118.7	143.0	171.6	174.4	180.1	189.6	181.8	193.7
35	Manufacture of Metal Products except Machinery and Transport Equipment	112.4	116.3	130.4	145.8	205.6	208.4	192.1	181.3
36	Manufacture of Machinery except Electrical Machinery	121.2	150.2	181.2	215.7	316.0	291.2	299.5	326.6
37	Manufacture of Electrical Machinery, Appliances etc.	113.6	132.4	154.0	173.4	208.2	225.1	243.4	277.5
38	Manufacture of Transport Equipment	116.7	149.8	156.4	192.1	206.3	156.6	138.6	142.8
39	Miscellaneous Manufacturing	102.7	114.8	110.1	139.6	132.9	109.6	140.6	101.7

Source: Statistical Abstract 1969, Pp. 153-158.

with a percentage share of 19.38 only.

An analysis of the expenditure pattern during the first two years of the fourth Plan 1969-70 and 1970-71 reveals that the overall progress achieved was rather sluggish and clumsy accounting for only about Rs. 580 crores out of a total of Rs. 3150.86 crores envisaged for the whole Plan period. This unsatisfactory rate of growth has been admitted in the Mid-term Appraisal: "...there have been appreciable shortfalls in the public sector. Taking three years together the total expenditure will be less than half the total fourth Plan outlay."[8] This gives an aggregate achievement of 21.70 per cent. Engineering and ship-building sector has already invested around 60 per cent of the investments earmarked for it, whereas steel, fertilizer and chemicals, and mines and minerals sectors succeeded in investing only about 22 per cent, 19 per cent and 21 per cent respectively. This is contrary to the high priority given to them in the fourth Plan document.

Regardless of a high priority extended to petroleum & oils in the fourth Plan, the progress achieved is very much disappointing. Not only has the sector failed to invest even one per cent of the outlays earmarked for the purpose, but there is a disinvestment to the tune of Rs 4 crores in the cumulated investments in the sector.[9] This is excluding the investments incurred in the newly commissioned oil refinery in Assam and the northern refinery planned in Mathura. There is no doubt that the position would be improved when these are also included, but reaching the targeted investments in the sector by the end of 1973-74 is doubtful. The inter-sectoral differences between engineering on the one hand and rest on the other in the progress of investments could, no doubt, partly be explained by the difference in the proportions in the investment composition by way of continuing and new schemes. After all the delay in planning and commissioning a new project would be relatively high when compared to expansion and modernization of existing plants. However, it has yet to be seen whether the targeted outlays earmarked for steel, fertilizers and chemicals, mines & minerals, and petroleum and oil are wholly going to be invested. Because of the heavy responsibility of the state, recognised in the Industrial. Policy Resolution of 1956, one wishes a still higher priority were given to these core sectors. In view of the already committed heavy investment expenditure on the engineering sector from the public sector pool, and in view of the fact that the private sector of the economy can effectively play its complementary role, it is desirable to slow down further investments in this sector from the total public sector outlays. Instead a further stopping up of invesments in the remaining sectors particularly in chemicals and fertilizers, petroleum & oil and mines & minerals would be all the more welcome.

References :

1. The literature on the point is fairly rich. Suggestive attempts are :
   (i) J.N. Bhagvati and P. Desai; *Planning for Industrialization and Trade Policies Since 1951*, Oxford University Press, London, 1970; Pp. 135-167.
   (ii) W.A. Johnson; *The Steel Industry of India*; Harward University Press, Cambridge; 1967; Pp. 153-185.
2. Fourth Five Year Plan; Planning Commission, Pp. 315-316.
3. J.N. Bhagvati and P. Desai; op. cit. p. 136
4. Fourth Plan Mid-Term Appraisal; Vol. 2; Pp. 153-154.
5. Fourth Five Year Plan; Planning Commission; Pp. 302-303
6. *Ibid.* p. 314
7. The proposed outlays in the fourth Plan have been revised in the Fourth Plan Mid-Term Appraisal. The original target of a total of Rs 3,150.68 crores envisaged in the fourth Plan is brought down to Rs 3,126.03 crores in the Mid-term Appraisal. The sectoral distribution of these investments has undergone marginal changes, gains accruing to petroleum and oils. Affected sectors are mines and minerals, and fertilizers and chemicals. Steel and engineering and ship building continue to enjoy somewhat similar shares.
8. Fourth Plan Mid-Term Appraisal; Vol. II; p. 153.
9. This decline is because of the significant reduction in the case of almost all undertakings, in Central Government participation by way of loan capital.

TABLE V

Pattern of Investment in Fourth Plan in Public Sector
(Cumulated Investments)

(Rs crores)

	1969-74 (IV Plan outlay)	As at the end of 1968-69	As at the end of 1973-74 (1968-69 IV Plan outlay)	As at the end of 1970-71	Total Investments during the first two years of fourth Plan	% of the proposed investment	Deficit	% of the proposed investment
1	2	3	4	5	6	7	8	9
Steel	1035.90 (38.76)	1305.00 (38.39)	2340.92 (38.67)	1538.00 (38.76)	233.00 (8.72)	22.49	802.92 (30.04)	77.51
Eng. & Ship Building	214.70 (8.03)	960.00 (28.34)	1174.70 (19.38)	1087.00 (27.39)	127.00 (4.75)	59.15	87.70 (3.28)	40.85
Chemicals & Fertilizers	60.49 (22.51)	421.00 (12.42)	1022.49 (16.87)	534.00 (13.46)	113.00 (4.23)	18.79	488.49 (18.28)	81.21
Petroleum & Oil	303.60 (11.36)	403.00 (11.89)	606.60 (11.66)	399.00 (10.06)	—4.00 (—.15)	—1.32	307.60 (11.51)	101.32
Mines, Minerals & Metals	516.75 (19.34)	299.00 (8.83)	815.75 (13.46)	410.00 (10.33)	111.00 (4.15)	21.48	405.75 (15.18)	78.52
Total :	2672.46 (100.00)	3388.00 (100.00)	6060.46 (100.00)	3968.00 (100.00)	580.00 (21.70)	21.70	2092.46 (78.30)	78.30
Public Sector (Total)	3150.80	3902.00	7052.86	4682.00	N.A.	N.A.	N.A.	N.A.

Source : Fourth Five Year Plan Investments Computed from Planning Commission, *Fourth Five year Plan* 1969-74, Pp. 326-330.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

BY ADOPTING, during this penultimate week of the current budget session, the 1973 Finance Bill, the Rajya Sabha also completed its deliberations on this year's central budget. Having disposed of the budget, the two Houses rushed through a good deal of the legislative business scheduled for the session. Among the bills passed by the Lok Sabha were the Constitution (31st Amendment) Bill and the North-Eastern Hill University Bill. Besides the Finance Bill, the Upper House approved the Excise and Salt (Amendment) Bill. The two Houses also discussed some other important issues. These included the recent uptrend in the prices of sugar and vanaspati.

Widespread concern over the inflationary pressures in the economy continued to dominate the Rajya Sabha discussion on the Finance Bill. The centre-state financial relations too figured quite prominently in this debate, as also the growing menace of unaccounted money, the deteriorating employment situation and the slow growth of the economy in the recent past. Among the specific budget proposals of the finance minister, the sharp scaling up of the import duty on cotton came in for scathing criticism. The government was urged to encourage the development of backward areas in a much more concerted manner than has been the case hitherto; it was regretted that this year's budget did not go far enough in this regard. Some members also referred to the recent deterioration in the food supply situation. Several members were highly critical of the widespread corruption in administration. The cause of landless labour was championed by quite a few.

inflationary pressures

Winding up this debate, the union minister for Finance, Mr Y. B. Chavan, shared the concern of members over the inflationary pressures in the economy and the shortages of the various essential consumer goods, but expressed the hope that the situation would improve this year. He styled the rise in the prices of cloth as "unconscionable". He did not think that there was any justification for the rise in cloth prices when the prices of raw cotton were stable. The stepping up of the import duty on raw cotton, he felt, could not have caused an uptrend in the prices of cloth made out to indigenous cottons. Mr Chavan revealed that he had taken up this matter with the minister for Commerce to see that cloth was available to consumers at reasonable prices.

The Finance minister emphasised the importance of making the state takeover of wholesale trade in wheat (which is to be soon followed by the takeover of this trade in rice) a success. The distribution system, he assured the House, was being strengthened for this purpose.

Referring to growing unemployment, Mr Chavan did not think that this problem could be effectively tackled without a well coordinated long-range plan. The provision of Rs 100 crores in this year's budget for providing employment to the educated, he felt, was a good beginning.

The Finance minister did not agree that the surcharge of five per cent on the corporate tax was a Bangladesh levy and that it should be withdrawn. He also disagreed with those who had expressed the view in the general debate on the budget that the corporate sector had been left untouched by his proposals.

centre-state relations

Dwelling upon the centre-state financial relations, Mr Chavan did not see any need for a change in the existing pattern. While the sixth Finance Commission had been given wider terms of reference, taking note of the difficult position of state finances, the present arrangement by which plan and other assistance to states from the centre was settled through discussions, he opined, was more flexible and practicable.

The government was grilled during a short discussion in the two Houses on the recent uptrend in the prices of sugar and vanaspati. In the Lok Sabha, even senior Congress members joined hands with the vociferous opposition members in demanding a full-fledged debate on the issue before the House adjourned sine die. This demand was acceded to by the Speaker and the government. The discussion is proposed to be held next week.

The minister of state for Agriculture, Prof. Sher Singh, who intervened in this discussion in the Lower House, conceded that vanaspati was being sold at prices higher than the notified prices, but asserted that the distribution system in respect of the sale of levy sugar, both in the urban and rural areas, was working satisfactorily. He promised to make every effort to contain the prices of these two commodities. The agitated members, however, were not satisfied with this promise of the minister. In the Rajya Sabha, the "vanaspati famine" in the country was attributed to government's failure to take timely steps to ensure adequate supplies of raw materials to vanaspati manufacturers.

amendment bill passed

The Constitution (31st Amendment) Bill, which was adopted by the Lok Sabha this week, sought to increase the upper limit for the representation of states in the Lower House from 500 to 525. The total number of members of the present Lok Sabha is 522, comprising 489 from the 15 major states (Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Mysore, Kerala, Tamil Nadu, Andhra Pradesh, Madhya Pradesh, Uttar Pradesh, Bihar, Orissa, West Bengal and Assam), 17 from the smaller states (Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland and Tripura), and 16 from the union territories of Delhi, Goa, Daman, Diu, Pondicherry, Arunachal Pradesh, Mizoram and Andaman and Nicobar islands.

The bill further sought to make inapplicable the constitutional provisional for reservation of seats in the Lower House for the scheduled castes and scheduled tribes in the case of Nagaland, Meghalaya, Arunachal Pradesh and Mizoram on the ground that these areas are predominently tribal. The union territories henceforth will be sending 20 representatives to the Lok Sabha. The details of the representation of various states in the House will have to be work-

ed out by the Delimitation Commission. The bill makes it clear that representation of any state, least of all of the smaller states, will not be adversely affected.

During the debate on this bill, several members expressed the view that if the strength of the Lok Sabha was to be increased with every rise in population, the House would become unwieldy. Some members feared that the bill would discourage the family planning drive. Winding up the debate, the minister of state for Law and Justice, Mr Niti Raj Singh who piloted the bill, said that the report of the Joint Committee of Parliament on the subject of electoral reforms was being scrutinised by the government and a decision on it would be taken soon.

hill university

The North-East Hill University Bill sought to establish a teaching and affiliating university for the hill states of the north-eastern region.

The Excise and Salt (Amendment) Bill, which was adopted by the Upper House, aimed at plugging certain loopholes in the original enactment in regard to collection of excise duties.

The following important information was provided in the two Houses by various ministers:

(1) There is no proposal under the consideration of the government to increase the sugar quota for ration cardholders, but they would continue to get a maximum of one kg per month per person in cities and a minimum of one kg per family in the rural areas.

(2) Technocrats and specialists are being appointed increasingly to posts of secretaries and other senior offices in the central government.

(3) The setting up of a nuclear-powered agro-industrial complex in the Gangetic plain, covering three districts of western UP, is under the consideration of the government. A similar complex may also be established in Saurashtra.

(4) Hindustan Salt Limited—a government of India undertaking—has proposals to develop salt mines in Himachal Pradesh. The undertaking is also studying the feasibility of establishing a salt refinery in this state.

(5) The power situation in the country will begin to ease by the middle of June. A good deal of improvement has taken place in power generation at Bhakra The first 110 mw unit at the Kothagudem power project would be commissioned in July and the second one of similar capacity in December.

(6) The Tewari committee, which is going into the question of indigenous availability of power equipment, is expected to submit its report by the end of June.

(7) The shortage of paper in the country is expected to disappear in the fifth Plan as a result of the setting up of new paper mills by the Hindustan Paper Corporation and the expansion of the capacity in the private sector. The demand for paper by the end of the fifth Plan period is expected to go up to 13.5 lakhs tonnes. This will require an addition to the existing capacity to the extent of five lakh tonnes. The crash paper manufacturing programme, which was launched sometime ago, is expected to yield an additional production of one lakh tonnes per annum. The Hindustan Paper Corporation is engaged in setting up three paper and pulp projects in Nagaland (30,000 tonnes per annum capacity), at Nowgaon (80,000 tonnes) and at Cachar (50,000 tonnes). The capacity of the Cachar project might be raised to 80,000 tonnes per annum. Licences and letters of intent issued for a total capacity of over one million tonnes of paper and pulp are in various stages of implementation.

(8) If necessary, the levy system would be introduced in more states for the procurement of wheat. It is too early to make an assessment of the progress of the takeover of wholesale trade in wheat. While in some states, such as Bihar and Rajasthan, the progress has not been up to the mark, in Punjab it has been encouraging.

(9) According to the quick estimates of national income, the per capita income in the country at 1960-61 prices was 95 paise in 1970-71. Although the estimates of national income and per capita income for 1972-73 are not yet available, about Rs. 40 per capita per month or about Rs 1.30 per day is considered as the minimum desirable cosumption standard at the prevailing prices. The daily per capita income in 1951-52 at 1960-61 prices works out to 70 paise.

(10) Bihar, Mysore, Orissa and Rajasthan have reported "nil" surplus land obtained from the implementation of the ceiling laws in force for the past several years. These four states and Andhra Pradesh have also reported that no surplus land has been distributed to the landless people.

(11) The question of bringing about changes in the ownership and management pattern of newspapers is under the examination of the government in the light of the Supreme Court judgement on newsprint policy for 1972-73 and the recent judgement of this court on constitution amendment.

(12) A study of product concentration, which was undertaken by the Department of Company Affairs a few months ago, has revealed high concentration in automobiles and ancillaries, agricultural machinery and implements, industrial and mining machinery and basic metals. Similar trends have been revealed by the study in the case of construction and earth-moving equipment, industrial explosives, drugs and pharmaceuticals rubber goods and scientific and industrial equipment.

(13) A working group set up by the government to look into the question of putting up a fertilizer complex in Rajasthan based on rock phosphate deposits there, has indicated the feasibility of establishing such a complex in the state.



Future of European Intercity transport

Jossleyn Hennessy
London.

I

All-European Plans

THE ORGANISATION for Economic Co-operation and Development (OECD) has launched a co-operative programme to enable individual member countries to plan improvements in intercity transport services on a co-ordinated, European-wide basis. Nine OECD members—Austria, France, West Germany, Ireland, Italy, the Netherlands, Spain, Switzerland and Britain are taking part.

Western Europe faces growing demands for intercity transport as a result of an expanding, interdependent economy and an increasingly affluent and mobile society. In response European countries have embarked on large-scale programmes to improve and expand their transport systems, including improvements in rail services, construction of additional modern superhighways to accommodate growing auto and truck traffic and the building of new airports and expansion of existing terminals and aircraft fleets to meet the sharply rising demand for air travel.

Efforts to expand the highway and air transport systems, however, encounter difficulties. Land has become a resource in scarce supply in western Europe and highways must compete for it with other important demands : agriculture, housing and industry, the desire to protect parklands and to preserve open spaces. Moreover, the building of highways, particularly in heavily populated regions, meets with increasing opposition from the public on the grounds of pollution, noise, displacement of people and disruption of neighbourhoods. The current controversies in London, Zurich and Paris and the cancellation of highway projects in Toronto and a number of US cities testify to the growing public concern about urban highway construction and to the strength of citizens' protest. While these events do not spell the end of all road building in urban areas, they do mean more questioning for highway promotors and a more critical interpretation of the "need" for additional superhighways in the years to come.

The growth of air transport is likewise seriously constrained. Large tracts of land suitable for airports are harder and harder to find within a responsible distance of metropolitan areas. Plans for new airports and for expansion of existing airports come up against increasing opposition from the surrounding communities on the grounds of noise, safety etc. The difficulties encountered in the location of the third London airport and the inability of New York city authorities to find a suitable site for another airport illustrate the dilemma facing airport planners today. Moreover, air space itself is becoming saturated in a growing number of corridors. While major improvements in air traffic control and the widespread use of high capacity jets can significantly raise capacity of air lands, these measures cannot assure the indefinite growth of air traffic. All these arguments are applicable also to the short and reduced take-off and landing (R/STOL) aircraft often advocated as alternatives to the conventional aircraft for short-haul, metropolitan travel.

All this means that, barring an unforeseen reversal of the present trends in travel demand, congestion on highways and in the air is likely to increase drastically over the next decade. While many existing facilities are still not saturated, and while incremental additions offer hope of increasing capacity, they are not expected to keep pace with rising travel needs. Serious bottlenecks are therefore likely to develop, especially within and around the great metropolitan areas, bringing about progressive deterioration in the quality of service provided to motorists and air travellers in speed, comfort and dependability.

Other factor militate against placing too much reliance on highway and air transport. Policies which cater for the unfettered use of the private car reduce the viability of urban public transport and thereby decrease the mobility of those metropolitan residents too poor to own cars or unable to drive because of age or physical disability. Motors are a prime cause of accidents and bring human suffering and huge economic losses. And both the aircraft and the highway vehicle are comparatively wasteful in their energy requirements, thus compounding the growing energy crisis (see Table I).

The physical and social constraints on the railroads are less significant. While

TABLE I

Energy Requirements for Inter-City Passenger and Freight Transport

	*BTU's per passenger km**	*BTU's per ton-km**
Rail	1,000	420
Auto/ Truck	2,800	1,400
Aircraft	6,000	23,000

* *BTU : British Thermal Unit (1 BTU= approximately 0.25 kcal).*

Source: *Adapted from Eric Hirst, "Energy Consumption for Transportation in the United States," Oak Ridge National Laboratory, Report ORNL-NSF-EP-15 March 1972.*

WINDOW ON THE WORLD

the argument of environment disruption can be levelled against rail transport too, it has seldom been raised—perhaps because rail construction has rarely impinged on urban areas in recent times, and the existing rail rights of way had time to influence the character of the development in the adjoining areas long before the current environmental consciousness set in. New rail rights of way are likely to be needed only in the open country, where they will affect relatively small numbers of people. What is more, they will require relatively modest amounts of land as compared to those needed for highways, airports and their supporting facilities. And trains are comparatively efficient in terms of energy requirements, so that a shift to rail transport could actually result in significant savings of energy resources.

Moreover, trains operate on their own rights of way and enjoy a direct, unobstructed access into city centres. Rail passengers therefore do not generally experience the kind of delays and frustration which motorists and air travellers bound for central metropolitan destinations increasingly face. A high probability of on-time arrival regardless of weather, and innovations in service such as the Trans European Express (TEE), the auto-couchette and the German "intercity" rail service, have combined to give the railroads an image of rising quality of service.

To be sure, the railroad's ability to deliver the passenger into the heart of the city is an asset of diminishing importance. Already today, the central business district is not where the majority of travellers want to go. In London, for example, only 43 per cent of all arriving intercity passengers have distinations within central London. As urban areas grow in size and become more decentralised, the railroad station—like the airport—will tend to become simply a transfer point. But, unlike airports, rail terminals are

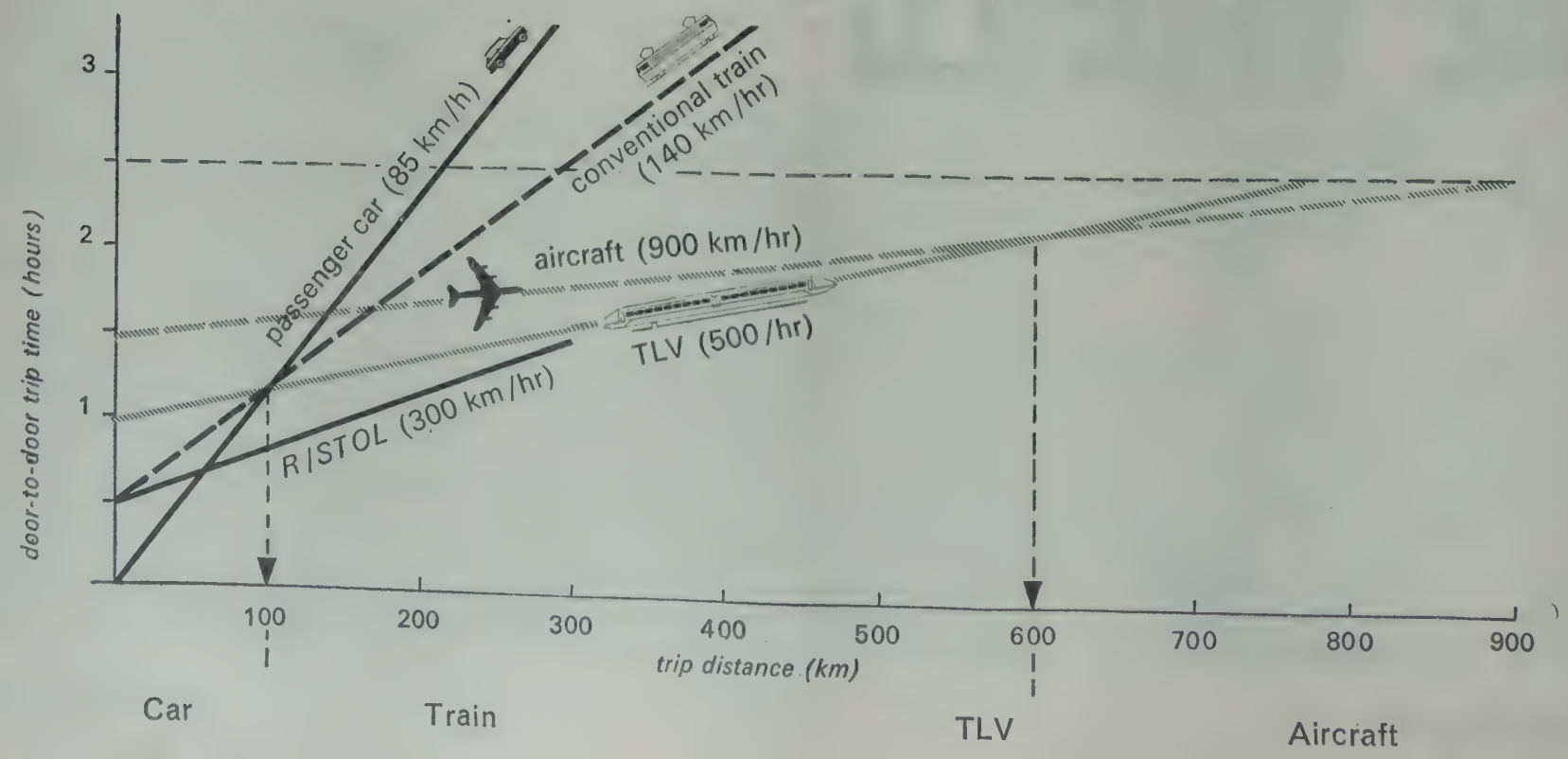
TABLE II

Distances Between Major Cities in Europe.

	Population (1)	Ruhr	London	Randstadt	Paris	Brussels / Lille	Frankfurt	Lyons / Geneva	Munich	Strasbourg	Zurich	Hamburg	Milan
Ruhr	15	—											
London	16	500	—										
Randstadt	10	200	300	—									
Paris	10	500	350	400	—								
Brussels-Lille	10	250	300	200	300	—							
Frankfurt	7	200	650	400	500	400	—						
Lyons-Geneva	4	650	750	800	500	600	550	—					
Munich	5	500	950	700	700	650	300	600	—				
Strasbourg	6	350	650	450	400	400	200	400	300	—			
Zurich	2	500	800	600	500	550	300	350	300	200	—		
Hamburg	2	300	700	400	750	550	400	950	650	600	750	—	
Milan	2	700	1 000	800	650	750	500	350	350	400	250	900	—

(1) Population with a 100 km radius (in millions).
Source : *A. Bieber, " Les Transports Inter-Régionaux de voyageurs à grande vitesse ", Institut de Recherche des Transports ", April 1971.*

COMPARATIVE ADVANTAGES OF DIFFERENT TRANSPORT MODES



centrally located and are better linked with the urban mass transport system—which makes them more accessible for residents of metropolitan areas.

What all this means is that highway and air transport are likely to suffer progressive decline in the quality of service to travellers compared to the railroad. This decline will become most pronounced for trips in the range of 100-600 kilometers, where neither the aeroplane nor the car are able fully to exploit their natural advantages. This, in turn, may lead to a certain realignment in the service functions of the different modes. The conventional aircraft is likely to continue to be preferred in long-distance travel—where high line-speeds compensate for the delays on the ground at both ends of the trip. The motor vehicle (including the truck) may come to be used increasingly for only relatively short trips—distances of up to 100 kilometres—where instant availability and ability to go door-to-door are assets. The private car will, of course, always remain a favourite with holiday travellers, regardless of the distance to be covered. This is not only because it provides privacy and flexibility, but also because during holidays motoring is often enjoyed for its own sake. For the intermediate distances of 100-600 kilometers, on the other hand—an intercity trip length prevalent within western Europe (See Table II, p. 1006)—the railroad has the *potential* to out-perform motors and aircraft on almost every ground : door-to-door travel time, comfort, convenience, reliability and efficiency.

obvious steps

The most obvious step to improve rail travel is to increase the speed, frequency and amenities of existing passenger trains. Typical speeds of today's fast intercity trains range between 90 km/hr and 120 km/hr. By 1985 most crack passenger trains in major European travel corridors are expected to cruise at 140 km/hr, with important segments of the network upgraded to allow speeds of 160 km/hr. Even higher speeds are envisaged by 1985 on certain lines such as Paris-Bordeaux, Hamburg-Dortmund, Hamburg-Hannover, Strasbourg-Basel, London-Newcastle-Edinburgh, London-Manchester-Glasgow and a considerable portion of the main Italian network.

In the USA, where competition from the highway and air modes has gradually forced the railroads to abandon virtually all passenger service, the government has undertaken a programme to promote the concept of high speed passenger rail service. The initial attempts have demonstrated high-speed service in the northeast corridor, between New York and Washington (the Metroliner) and New York and Boston (the Turbotrain). The New York-Washington run of 360 kilometres is covered in 2½ hours, at maximum speeds of 175 km/hr. On New York-Boston, where the existing right of way cannot be much improved, the present maximum speeds are only 130 km/hr. In its recent recommendations for Northeast Corridor Transport, the Department of Transportation has advocated further improvements in the right of way to allow a two hour nonstop New York-Washington and a 2-hour-45-minute nonstop New York-Boston service. The study concludes that three years would be required to put the improved high-speed rail service into full operation.

Although such speed increases can be achieved with existing technology, they do require improvements in track alignment and signalling, elimination of grade-crossings and technical advances in equipment : more powerful locomotives improved braking and suspension systems. Progress can also be made in improving freight service through the expansion and automation of freight marshalling yards, construction of new container terminals, and computer control of freight operations.

II

Advanced High-speed Systems

Speeds of 200 km/hr are considered the practical limit on the existing rail system. Higher speeds, however, are technically feasible, although they require considerable investment in new track, or improved rolling stock or both.

The famous Tokaido line in Japan was the earliest example of an effort to push the technology of the "steel wheel on steel rail" beyond conventional limits. In the late 1950s the Japanese government took a historic decision to connect Tokyo, Nagova and Osaka, a distance of 515 km, with a new rail line to relieve the existing network and bring the three principal metropolitan areas of Japan closer together. Service on the New Tokaido Line (Tokaido Shin Kanesn) began in 1964. Today trains run every 20 minutes (more often during certain hours) at an average speed of 170 km/hr. Travel time between Tokyo and Osaka has been cut down from 6½ hours to 3 hours 10 minutes,

The Tokaido line has proved a commercial as well as a technical success. Traffic has been growing at an average of 26 per cent per annum and by 197(reached over 200,000 passengers/day Revenues rose from 55,000 million yen i 1955 to 165,000 million yen in 1969, whil operating costs have remained fairl steady (84,000 million yen in 1969).

One consequence of the Tokaido lin has been a dramatic falling off in ai travel between Tokyo and Osaka, to th point where today air transport carrie no more than 6 per cent of total passengers between the two cities, while eight years ago it carried as much as 22 pe cent. The Tokaido line has thus demonstrated that people will switch to rail travel if rail service is improved in speed, reliability and frequency of service.

great success

The success of the Tokaido line has been so great that it is planned to extend the line from Osaka to Hakata, an additional 563 km. Maximum speeds on the extended line will be increased to 250 km/hr. The first stretch of the new line is expected to be opened shortly.

This is but the initial step in a 4,503 km high-speed network envisaged by the Japan National Railways. The system will consist of two parallel north-south axes, one running along the Pacific coast, the other along the Sea of Japan. Several cross lines will link the two trunk lines. The object is to place all major cities in Japan within a 3-4 hour travel time of one of the three principal urban regions : Tokyo, Nagaya and Kyoto/Osaka/Kobe. To achieve this, the system will allow average speeds of 200 km/hr with peak speeds of 250 km/hr.

But plans do not stop there. The Japanese parliament has already approved in principle a supplementary programme to add another 4,000 km of new rail lines, giving Japan (a country of only 380,000 square kilometres) a modern high speed rail network of 9,000 km.

In Europe new high-speed rail lines designed for speeds of up to 150 km/hr are contemplated in at least six countries. As in Japan, they are intended to relieve pressure on the existing lines and to provide high-speed, high-frequency passenger service in heavily travelled corridors. The principal links envisaged by 1985 include Paris-Lyon (388 km), Paris-Channel Tunnel/Belgium (332 km), Cologne-Gros Gerau (180 km), Mannheim-Stuttgart-Munich (325 km), Hannover-Gmunden (280 km), Rome-Florance (255 km), Milan-Bologna (215 km) and lines radiating from Brussels to Lille in the west, Amsterdam in the north and Aachen in the east (410 km). An addi-

:onal 2,300 km of new high-speed rail nes are contemplated for the period beyond 1985, ultimately giving western Europe a high-speed rail system of ,000 km.

Complementing this ambitious programne are proposals for several major new unnels. The Channel tunnel, linking Dover and Calais, is expected to cut urface travel between London and Paris rom 7 to 3½ hours, making it competitive vith present air services. Other proposals nclude a second Gothard tunnel from witzerland to Italy and a second Brenner unnel from Austria to Italy. A tunnel inking Denmark and Sweden between Helsingfor and Halsingborg, and a ridge over the Straits of Messina are nvisaged.

Britain is developing radically new olling stock to attain speeds of 250 km/hr n existing tracks, thanks to special penulum suspension to ensure better stabiity and comfort on curves. The advanced passenger train (APT), as this is called, s scheduled to go into service next year nd will provide frequent high-speed rains in all high density corridors such s London-Manchester and London-Newcastle. The USSR also has its toes n the water for high speed services. On he Moscaw-Leningrad line (650 km), the Soviets plan trains at 200 km/hr to reduce ravel time from 5 to 4 hours. An entirely new line connecting Moscow and the Caucasus (1,600 km) for top speeds of 250 km/hr is also under study.

III

Unconventional Ground Transport

Even with new track and modern equipment there are limits to the "steel wheel on steel rail" technology of the conventional rain. The limit is believed to be about 250 km/hr. Above this, technical and safety problems and the cost of track maintenance multiply rapidly. Many attempts have been made to get around this speed limitation by substituting for the wheel and rail some other concept of suspension.

The best known of these unconventional systems uses a cushion of air. Such a vehicle is called generically "tracked air cushion vehicle" (TAVC), although it is better known under one of its trade names: "Aerotrain" (France) or "Hovertrain" (United Kingdom). Tracked air cushion vehicles are capable of speeds exceeding 300 km/hr. These high speeds are possible because the absence of any direct contact between the vehicle and its guideway reduces friction to minimum, but they require a new means of driving the vehicle. This is usually a linear induction motor often described as a flattened out electric motor, with the primary windings in the vehicle itself and the secondary windings incorporated in the guideway. Research on TACV has been under way in several countries. In France, a full-scale 80-passenger vehicle prototype, supported by the French government and and Societe Bertin, has been undergoing tests on an experimental track since late 1969. More recently, the French government has authorised the construction of the first commercial line of the Aerotrain —23 km, connecting the new community of Cergy-Pontoise with La Defence in Paris, expected to begin operation in 1975.

In the United Kingdom, a government-financed R and D effort into TACV is being conducted at Tracked Hovercraft Ltd, since 1967, although preliminary studies of the concept begau as early as 1960. A 13 km test track near Cambridge exists and tests are using two experimental prototypes.

U.S. prototypes

In the USA, the Department of Transportation is sponsoring the development of a 480 km/hr air cushion vehicle for intercity runs and a 240 km/hr vehicle for urban traffic. Both prototypes will be tested at the government's high-speed centre at Pueblo, Colorado. However, no commercial line has so far been authorised, although TACV has been mentioned as a prime alternative for the long-term period in the Northeast Corridor and as a fast transit link connecting the new regional airport with Dallas and Fort Worth in Taxas.

West Germany and Canada are also interested in tracked air cushion vehicles.

Interest in magnetic suspension is much more recent but has already captured the imagination of governments and industry in several countries, Magnetic force, like air pressure, can be used to lift an object and make it hover above ground. The magnetic field can be produced with conventional electromagnets or permanent magnets, or with the help of superconductivity, which is currently favoured because of lower power needs. Like TAVC, magnetically-levitated vehicles can achieve speeds of 300-400 km/hr.

Research into magnetic suspension has been pioneered in West Germany by two industrial firms, Messerchmitt-Bolkow-Blohm (MBB) and Kraus-Maffei. Each has produced and tested an experimental vehicle in their own facilities. More recently, the West German government has authorised an ambitious R and D programme on unconventional ground transport technology to include the construction of a 60 km experimental track and test facility at Donauried near Augsburg where various high-speed TLV (tracked levitated vehicle) concepts using both air cushion and magnetic suspension will be tested and compared. The first full-scale prototype is expected to begin tests in 1974 on the first 20 km stretch of the test track.

Megnetic suspension in high-speed ground transport vehicles is also being investigated in Japan and the USA.

IV

HSB: A New Concept

The scale of the West German programme shows the government's resolve to make tracked transport an essential part of any future national transport system. A key element is the proposed Hochleistungs-Schnellbahn (HSB), an 820 km C-shaped line running the entire length of the country from Hamburg in the north to Munich in the south, and passing through the Ruhr, Frankfurt and Stuttgart (with an eventual second line further to the east, passing through Hannover, Kassel, Frankfurt and Nurnberg).

The line would carry motor vehicles as well as passengers at speeds of up to 400 km/hr, making one-day round trips possible between most of Germany's major cities. With each train capable of carrying 35 trucks and 44 passenger cars, the line would have a theoretical daily capacity of some 34,000 trucks and 42,000 automobiles in addition to 57,000 passengers.

The ability to carry trucks is a key feature of the system and its principal economic justification. Congestion on West German highways is beginning to affect the efficiency of freight movement by road. Heavy trucks not only get stuck in traffic jams but may also face growing restrictions on the use of principal highways during weekends. With drivers' wages going up at the same time, the economics of "piggy-back" transport of trucks at high speed looks increasingly attractive, particularly where perishable commodities are carried.

The other economic benefit of endowing the HSB system with a vehicle-carrying capacity is the impact on the existing highways. Assuming—as the HSB feasibility study does—that some 24 per cent of truck movements would be diverted to

the high-speed line, congestion on the present autobahns in the north-south corridors would be significantly reduced, thus increasing the speed and safety of the remaining traffic. It is even possible to argue, assuming similar diversion of private automobile traffic, that the need for additional autobahn construction would diminish, thus reducing the net transport investment required.

The unique feature of the HSB concept, however, is the proposed location of its terminus, The plan calls for the line to bypass all cities and to have the stations placed on the periphery of each of the nine urban areas through which the line will pass—in some cases at the airports. The decision was taken principally because of the high cost of acquiring new rights of way through densely populated urban areas or, alternatively, of tunnelling through these areas. However, a good case can also be made for such a planning decision on non-economic grounds. The city centre is no longer the principal origin and destination of intercity trips. This is particularly true of trucks, most of which begin and end their journeys at a plant, a warehouse or a distribution centre somewhere on the periphery of the city. But even for the typical passenger, at least one end of the trip (his home) increasingly terminates in the suburbs and not in the city centre. Thus, it is arguable that to locate the terminals of the high speed ground transport system on the outskits of the city and tying them with airports (thereby facilitating long-haul domestic and international air travel) is, in fact, a sensible decision.

accessibility of terminals

The success of this approach will depend on how accessible the terminals are made to the rest of the metropolitan area. Placing them at or near the airports virtually assures them a good road link to the city and a convenient access to the rest of the metropolitan highway network. The passenger travelling without his car would presumably be in no worse position than today's air traveller. He would either drive and leave his car at the terminal, be dropped off there by his wife, or if he lives in the city, could come by bus or rapid transit. Arriving at his destination in another city, he could rent a car or, if his ultimate destination is in the centre, take public transport. Chances are that his trip to the city would be easier than today because there will be rapid transit links by rail or bus—justified at all terminals on the grounds of the large numbers of travellers involved.

The philosophy embodied in the HSB concept contrasts with the more traditional approach adopted by the New Takaido Line in Japan or the proposed high-speed rail line between Paris and Lyons. Here the intercity passenger is delivered in to heart of the city and completes his journey by taxi or on the metropolitan transport system. A traveller from Lyons, for example, would be able to disembark in Paris at the Gare de Lyons (or even at Chatelet, if the proposed interconnection between the railroads and the underground is made). Although he would be less dependent on the car (and his ability to drive), his freedom of movement might be more constrained.

Each approach has merits and liabilities, so that it is difficult to say that one is better than the other. Since the acquisition of new rights of way in urban areas is becoming prohibitively expensive, systems with terminals in the city centre will be forced to use existing rail rights of way, and thus may have a more limited speed capability, unless one envisaged a hybrid system which combined the use of unconventional suspension and guideway for line haul with ordinary wheels for penetrating in and out of the city on an exlsting rail right of way.

overriding consideration

But the overriding consideration may be the effect on urban development patterns. The terminals of a national highspeed ground transport system—particularly one which combined freight and passenger carrying capability—are bound to become magnets for all kinds of activities : industrial, commercial, office and—in the longer—residential. Thus, the terminal location decision should be viewed in the larger context of the desired pattern of development of the surrounding region. Is the goal to encourage decentralisation of the existing city and the relocation of some of its activities to the outlying areas ? Then locating the terminal outside the city will facilitate such dispersal. Or is the objective to promote a denser city and to reverse the present trends towards "flight to the suburbs"? Then the out-of-town station will be an obstacle.

Closely related is the balance to be struck between private and public transport. Is the policy to reduce the use of cars and stimulate the use of transit ? Clearly, an auto-carrying regional transport system with terminals located outside the city is not going to help in this effort, but is bound both to encourage and make travellers more dependent upon the use of private cars to complete their trips.

These are exampels of the issues that need to be considered in choosing between new modes of high speed transport. The answers may vary from country to country depending on the urban goals and other differing social aims. What is important is that the various issues be dealt with explicitly so that decisions can be made with knowledge of the likely consequences rather than be imposed by technology.

V

Balanced Integrated System

Transport binds nations together. Without the modern superhighway network and the jet aircraft, western Europe could never have achieved its present close economic integration. As highway and air space congestion grow and threaten to compromise this newly found accessibility, governments will increasingly turn their attention to alternative solutions of transport needs. In so doing they will be called upon to exercise the same kind of coordination that earlier characterised the planning of the European highway network and the air navigation system.

That is not to say that all countries must adopt the same philosophy of terminal location or agree to use the same technology of high-speed ground transportation, as has been sometimes advocated. Different goals of urban and regional development and different industrial strategies make such complete harmonisation unlikely.

But what can and should be sought is agreement on two essentials: *balance and integration.* Balance means the need for transport alternatives. It recognises that no one mode could satisfy the many diverse transport needs of Europe or be environmentally compatible everywhere. A balanced transport system does not require exactly equal amounts of investment in highways, rail and air transport. It simply means having the right kind of transport in the right place for the right purpose.

But having a proper mix of transport modes alone is not enough. A typical trip involves more than one mode and several transfers. The easier the transfer from one mode to another—from aeroplane to train or from train to a road vehicle—the more efficient and comfortable travel becomes. There must therefore be close integration, so that the highway, the railroad, the aircraft—and eventually the high-speed TLV systems—become partners rather than competitors in providing transport.

The danger is that if each country makes its transport investment decisions in isolation, they will fail to achieve these

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(Incorporated under the Companies Act, 1956)
Registered Office : DCM PREMISES, BARA HINDU RAO, DELHI-6

The subscription list, both in respect of Equity and Preference shares, will open at the commencement of banking hours on 29th May, 1973, and will close at the close of the banking hours on 7th June, 1973, or earlier at the discretion of the Directors, if the issue is fully subscribed, but not before the close of banking hours on 31st May, 1973.

An application will be made to the Delhi Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange for permission to deal in and for offiicial quotations of the Equity and Preference Shares of the Company.

Objects of the Company

The company was incorporated on 9th January, 1970, and received the Certificate of Commencement of Business on 3rd June, 1971. The objects of the company are fully set out in the Memorandum of Association of the Company. The main object of the company is to carry on the business of manufacture of nylon-6 and other nylon tyre cord, fabrics and industrial yarns.

The Delhi Cloth & General Mills Co. Ltd., the promoter company, received a licence under the Industries (Development and Regulation) Act, 1951 for setting up of a new Industrial Undertaking for the manufacture of Nylon Tyre Cord with a capajity of 2000 tonnes Nylon Tyre Cord a year at Madras in the State of Tamil Nadu. The licence has since been endorsed by the Government in favour of the Company on the 26th June, 1972. The Company has applied for a licence to convert a part of the nylon tyre cord into fabric.

Business Prospects

The development of road transport is closely linked to the general economic development of the country. The continuous growth and dispersal of industries leads to a corresponding expansion in road transport facilities and consequently to an increasing demand for tyres. The automobile tyre production rose from 15 lakh tyres in 1956 to 42 lakh tyres in 1970 and is expected to touch the figure of 60 lakhs by 1974 and 130 lakhs by 1979.

Although cotton, rayon and nylon are used in India as tyre reinforcing materials, there is an increasing preference for nylon tyre cord in view of its good resistance to heat, fatigue and moisture and high tensile strength. However, since there is only limited production of nylon-6 tyre cord in the country, even the present demand for this tyre cord is mostly met by imports. The anticipated rapid expansion in tyre production will result in a corresponding increase in the demand for nylon-6 tyre cord. There is therefore, an assured market for the company's product and the company feels confident that its entire output can be readily marketed at a good margin of profit.

Technical Collaboration

Technical collaboration agreements have been entered into with Chemtex Fibres Inc., U.S.A., and Chemtex Engineering of India Ltd., Bombay. The former shall be doing the basic engineering of the plant and detailing would be done in India by Chemtex Engineering of India Ltd. Know-how will be supplied by Unitika Ltd., Japan, through Chmetex Fibres Inc., U.S.A. Unitika Ltd., is one of the largest producers of synthetic fibres in Japan and has developed its own technology for the manufacture of Nylon-6 Tyre Cord. This agreement does not restrict exports by the Company to other countries. The aforesaid agreements have been approved by the Government of India vide their letter No. 10 (105)/66.CH.1 (iv) dated 30th July, 1971.

Location

The factory will be located at Manali, District Chingleput, North of the City of Madras in the State of Tamil Nadu. The Government of Tamil Nadu has acquired and allotted 138.90 acres of land for the project at Manali. The company has already taken possession of 125.46 acres of land and the remaining land will be handed over soon.

Raw Material

The raw material, required for the manufacture of nylon tyre cord is Caprolactam. At present this is being imported. However, the company's Caprolactam requirement will be met from the Gujarat State Fertilizer Plant when it goes into production later this year.

The company has been assured adequate supply of water and power by the Government of Tamil Nadu.

Schedule of Construction and Start-up

Civil works have already commenced on the site for the construction of the factory. The erection of equipment, scheduled to commence in the fourth quarter of 1973, is planned to be completed early in 1974. It is expected that the plant will go on stream in the second quarter of 1974.

Barring unforeseen circumstances, the company expects to declare dividend within a reasonable time after the plant goes on stream.

Board of Directors :

Name. Address, Occupation and Other Directorships

Dr. Bharat Ram,
S/o. Sir Shri Ram,
25, Sardar Patel Marg,
New Delhi.
Industrialist.

Chairman and Managing Director
The Delhi Cloth & General Mills Co. Ltd.

Chairman
1. Coromandal Fertilizers Ltd.
2. DCM International Ltd.
3. Bengal Potteries Ltd.

Director
1. Shriram Bearings Ltd.
2. New India Assurance Co. Ltd.

3. Bajaj Electricals Ltd.
4. Escorts Ltd.
5. Eicher Tractors Ltd.
6. Usha Minerals Ltd.
7. Orissa Textile Mills Ltd.
8. Shri Ram Ultracast Ltd.
9. PVC Wires & Cables Ltd.
10. Indian Hard Metals Pvt. Ltd.
11. India Capacitors Ltd.
12. Madan Mohan Lall Shri Ram Private Ltd.
13. Charat Ram Shri Dhar Pvt. Ltd.
14. Bharat Ram Charat Ram Pvt. Ltd.
15. Shri Ram Associates Pvt. Ltd.
16. Bharat Ram Associates Pvt. Ltd.
17. Fair Trade Practices Association.
18. Delhi Golf Club Ltd.
19. Bharat Gears Ltd.
20. Reserve Bank of India.
21. Industrial Development Bank of India.

Committee Member

Federation of Indian Chambers of Commerce and Industry.

Shri Jagan Nath,
S/o. Shri Ram Roop,
Gali Ram Roop,
Subzi Mandi,
Delhi.

Landlord and Bankers.

Chairman

Ram Roop Jagan Nath Pvt. Ltd.

President

Swatantra Cooperative House Building Society Ltd.

Director

1. The Central Distillery & Chemical Works Ltd.
2. Desh Bandhu Co-operative Industrial Estate Ltd.
3. Amalgamated Statistics Corporation Ltd.
4. Ajanta Textile Ltd.
5. Delhi Cloth & General Mills Co. Ltd.
6. Rampur Engineering Ltd.
7. Shri Ram Ultracast Ltd.
8. Haryana Steel & Alloys Ltd.

Shri Bhiku Ram Jain,
S/o. L. Mangat Rai,
49, Rajpur Road,
Delhi.

Business.

Director

1. Sylvania & Laxman Ltd.
2. Hindustan Insulation Ltd.
3. Delhi Cloth & General Mills Co. Ltd.
4. Delton Cable Industries Pvt. Ltd.
5. Shri Ram Ultracast Ltd.
6. Abaskar Construction Pvt. Ltd.
7. Bharat Foam Udyog Pvt. Ltd.
8. Haryana Electro Steel Ltd.

Shri B.D. Pathak,
S/o. Shri Bhadra Dutt Shastri,
Krishna Kuteer,
Roshan Mandi,
Najafgarh, Delhi.

Business Executive.

Director

1. AMFI Private Ltd.
2. DCM International Ltd.

Shri D.C. Kothari,
S/o. Shri C.M. Kothari,
Kothari House,
3, Kothari Road,
Nungambakkam,
Madras.

Industrialist.

Chairman and Managing Director

Kothari (Madras) Ltd.

Chairman and Director:

1. The Madras Safe Deposit Company Ltd.
2. The Investment Trust of India Ltd.
3. Kunal Engineering Co. Ltd,
4. Kothari Sugars & Chemicals Ltd.

Director

1. South India Viscose Ltd.
2. Poysha Industrial Co. Ltd.
3. Shriram Bearings Ltd.
4. Solid Containers Ltd.
5. The English Electric Co. of India Ltd.
6. Brooke Bond India Ltd.
7. Indian Dyestuff Industries Ltd.
8. Fertiliser Association of India.
9. Indra Cotton Mills Pvt. Ltd.
10. Jagmohandas Mehta Investments Private Ltd.
11. Kothari & Sons (Industries) Private Ltd.
12. Kothari & Sons (Nominees) Private Ltd.
13. Planting Agencies Pvt. Ltd.
14. Investment and Finance Corporation Pvt. Ltd.
15. Underwriters and Financiers Private Ltd.
16. Kothari & Sons (Agencies) Private Ltd.
17. Kothari Mehta & Co. Pvt. Ltd.
18. Repatriates Co-operative Finance & Development Bank Ltd

Committee Member

1. Federation of Indian Chambers of Commerce and Industry.
2. Hindustan Chamber of Commerce.
3. Agricultural Credit Board of Reserve Bank of India.
4. Cotton Textiles Export Promotion Council.
5. Southern India Mill Owners Association.
6. South Indian Sugar Mills Association.
7. Indian Sugar Industry Export Corporation Ltd.
8. Indian Standards Institution (Vice-Chairman).

Shri M.V. Arunachalam,
S/o. Shri A.M.M. Vellayan Chettiar,
Chamundeswari Baugh,
Santhome High Road,
Madras-4.

Industrialist.

Chairman

Orient Tools & Gauges Ltd.

Managing Director

1. Tube Investments of India Ltd.
2. Carborandum Universal Ltd.

Director

1. Bombay Paints & Allied Products Ltd.
2. Ajax Products Ltd.
3. Bundy Tubing of India Ltd.
4. Kanoria Chemicals & Industries Ltd.
5. Coromandel Engineering Co. Private Ltd.
6. Thiru Arooran Sugars Ltd.
7. Straw Products Ltd.
8. Ambadi Engineering Berhad.

9. Shakthi Papers Ltd.
10. The Deccan Sugar & Abkari Co. Ltd.

Committee Member

1. Federation of Indian Chambers of Commerce and Industry.
2. Southern India Chamber of Commerce.

TRUSTEE

Unit Trust of India.

SHARE CAPITAL

Authorised

	Rs.
45,00,000 Equity Shares of Rs. 10/- each	4,50,00,000
1,50,000 Preference Shares of Rs. 100/- each	1,50,00,000
	6,00,00,000

Issued, Subscribed and Paid-up

	Paid-up	Face Value
	Rs.	Rs.
(1) 90 Equity Shares of Rs. 10/- each allotted to the subscribers to the Memorandum and Directors, which have been fully paid-up in cash	900	900
(2) 11,20,000 Equity Shares of Rs. 10/- each allotted to the Delhi Cloth & General Mills Co. Ltd. on which Rs. 5/- per share have been paid-up in cash	56,00,000	1,12,00,000
	56,00,900	1,12,00,900

The balance of Rs. 5/- per share on the shares under item (2) above will be called up along with the calls on the Present Issue of Equity shares to the Public.

Present Issue for cash at par

	Rs.
16,79,910 Equity shares of Rs. 10/- each	1,67,99,100
40,000 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each (free of Company's tax but subject to deduction of tax at source at the prescribed rates)	40,00,000
	2,07,99,100

Out of the Present Issue, Equity Shares, mentioned below, have been reserved for allotment for cash at par	No. of Shares	Face Value
		Rs.
Industrial Development Bank of India, Bombay.	59,200	5,92,000
The Industrial Credit and Investment Corporation of India Ltd., Bombay.	17,800	1,78,000
Industrial Finance Corporation of India, New Delhi.	35,500	3,55,000
Life Insurance Corporation of India, Bombay.	23,700	2,37,000
Unit Trust of India, Bombay.	17,800	1,78,000
The employees of the Company and those of the Promoter Company.	1,53,910	15,39,100
	30,79,100	

Note: (1) The above shares have been reserved for allotment in terms of the Letter of Acknowledgement dated the 6th June, 1972, and letters of amendment dated the 15th February, 1973, the 3rd May, 1973, and the 8th May, 1973, received from the Controller of Capital Issues, New Delhi. These shares are being offered for subscription simultaneously with the public issue and allotments in respect of the same will be made before making allotments in respect of the public issue.

(2) No underwriting commission or brokerage has been paid or is payable in respect of the shares allotted or reserved for allotment to the Promoter Company, the Financial Institutions and the employees of this Company and those of the Promoter Company as mentioned above.

Now offered to public for subscription for cash at par

	Rs.
13,72,000 Equity Shares of Rs. 10/- each at par	1,37,20,000
40,000 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each at par (free of Company's tax but subject to deduction of tax at source at the prescribed rates)	40,00,000

Terms of Payment

	Equity Shares	Redeemable Cumulative Preference Shares
	Rs.	Rs.
On Application	2.50	25.00
On Allotment	2.50	25.00
The balance amount will be payable in two equal calls to be made simultaneously on both the Equity and Preference shares by the Board of Directors with an interval of not less than one month in between the calls	5.00	50.00
	10.00	100.00

The balance amount, if any, paid on application will be adjusted towards the amount payable on allotment of shares allotted to the applicant concerned.

Failure to pay the amount due on allotment or call will render the shares, including the amount already paid-up on them, liable to forfeiture in accordance with the Company's Articles of Association.

Underwriters

The issue offered for public subscription has been underwritten as under:—

	Equity	Preference
	Rs./lacs	Rs./lacs
Financial Institutions		
Industrial Development Bank of India (IDBI), Bombay.	44.08	...
Industrial Finance Corproration of India (IFC), New Delhi.	26.45	5.00
Life Insurance Corporation of India (LIC), Bombay.	17.63	20.00
Industrial Credit & Investment Corporation of India Ltd., (ICICI), Bombay.	13.22	15.00
Unit Trust of India (UTI), Bombay.	13.22	...

roker-Underwriters

	Equity	Preference
	Rs/lacs	Rs/lacs
arbans Singh Mehta & Co., New Delhi	3.35	..
ehari Lal & Co., New Delhi	0.75	..
.B. Malhotra & Co., New Delhi	0.75	..
ılan & Co., New Delhi	0.75	..
arkisondas Lukhmidass, Bombay	2.00	..
hupendra Champaklal Devidas, Bombay	2.00	..
atlivala & Karani, Bombay	2.00	..
alal & Sons, Bombay	1.00	..
ımnadas Morarjee & Co., Bombay	1.00	..
lerwanjee Bomanjee Dalal, Bombay	1.00	..
ace, Siddons & Gough (Private) td., Calcutta	1.00	..
tewart & Co., Calcutta	1.00	..
othari & Sons, Madras	2.00	..
aterson & Co., Madras	1.00	..
ubramaniam & Co., Madras	1.00	..
hitra & Co., Madras	1.00	..
laconochie & Co., Madras	1.00	..
Total	137.20	40.00

ROKERS TO THE ISSUE

ew Delhi

arbans Singh Mehta & Co.,
3, Regal Buildings,
arliament Street,
ew Delhi-110001

ehari Lal & Co.,
5, Stock Exchange Building,
saf Ali Road,
ew Delhi-110001.

ılan & Co.,
tock Exchange Building,
saf Ali Road,
ew Delhi-110001.

.B. Malhotra & Co.,
3, Stock Exchange Building,
saf Ali Road,
ew Delhi-110001.

aja Ram Bhasin & Co.,
wan Mansion,
4, Desh Bandhu Gupta Road,
ew Delhi-110055.

Roy & Company,
8, M.M. Road,
n. of Panchkuin Road),
ew Delhi-110001.

ombay

arkisondas Lukhmidass,
ock Exchange Building,
pollo Street, Fort,
ombay-1.

hupendra Champaklal Devi-
as,
hupen Chambers,
alal Street, Fort, Bombay-1.

atlivala & Karani,
nion Bank Building,
alal Street, Fort, Bombay-1.

alal & Sons,
hare Bazar Old Building,
alal Street, Fort, Bombay-1.

mnadas Morarjee & Co.,
10, Dalal Street, Fort,
ombay-1.

Merwanjee Bomanjee Dalal,
Allahabad Bank Building,
Apollo Street, Fort,
Bombay-1.

Calcutta

Place, Siddons & Gough (Private) Ltd.,
6, Lyons Range, Calcutta-1.

Stewart & Co.,
14, India Exchange Place,
Calcutta-1.

Madras

Kothari & Sons,
"Oriental Buildings",
Armenian Street, Madras-1.

Paterson & Co.,
Vanguard House, 3rd Floor,
11/12, Second Line Beach,
Madras-1.

Subramaniam & Co.,
13/14, Second Line Beach,
Madras-1.

Chitra & Co.,
322/323, Linghi Chetty Street.
Madras-1.

Maconochie & Co.,
Mercantile Bank Building,
North Beach Road, Madras-1.

Bangalore

M. Nanjappaiah Jahgirdar,
205, Cavalry Road,
Bangalore-42.

Hyderabad

P.B. Afzulpurkar,
Sultan Bazar, Hyderabad.

Ahmedabad

Chinubhai Chimanlal Dalal,
Fatehbhai's Haveli,
Ratanpore, Ahmedabad-1.

Indore

Pushkarlal Ghudawala,
44, Bara Sarafa, Indore-2.

SOLICITORS TO THE ISSUE

B.C. Dasgupta & Co.,
4 & 5, Marina Hotel,
New Delhi.

AUDITORS

Thakur, Vaidyanath Aiyar & Co.,
3, Thapar House,
Janpath, New Delhi.

SECRETARY

Shri Onkar Nath,
18E, Banglow Road,
Kamla Nagar, Delhi-7.

BANKERS TO THE COMPANY

Indian Bank,
17, North Beach Road,
Madras-1.

BANKERS TO THE ISSUE

Indian Bank,
17, North Beach Road,
Madras-1.

OR its Offices at

Harbour-Madras, Mount Road-Madras, Mylapore-Madras, Nungambakkam-Madras, Purasawalkam-Madras, Sowcarpet-Madras, Theagarayanagar -Madras, Guntur, Hyderabad, Secunderabad, Vijayawada, Visakhapatnam, Shantiniketan, New Delhi, G-41 Connaught Circus-New Delhi, Karol Bagh-New Delhi, Safdarjung Development Enclave-New Delhi, Defence Colony-New Delhi, Deshbandhu Gupta Road-New Delhi, Ahmedabad, Alleppey, Ernakulam, Kottayam, Kozhikode, Quilon, Trichur, Trivandrum, Fort-Bombay, Chembur-Bombay, King's Circle-Bombay Mandvi-Bombay, Poona City, Bangalore Cantt, Bangalore City, Mangalore, Mysore, Bhubaneswar, Coimbatore, R.S. Puram-Coimbatore, Karaikudi, Madurai, Tiruchirapalli, Tirunelveli Junction, Tuticorin, Virudhunagar, Calcutta, Ballygunge-Calcutta.

Punjab National Bank,
Parliament Street,
New Delhi.

OR its Offices at

Shillong, Jamshedpur, Patna City, Sector 22-D Chandigarh, Sector-17 Chandigarh, Chandni Chowk-Delhi, Gurdwara Road Karol Bagh-New Delhi, Bank Street Karol Bagh, New Delhi, Faridabad, Hissar, The Mall-Simla, Jammu Tawi, Maharaj Gunj, Srinagar, Bhopal, Siyaganj-Indore, Shivaji Park Area-Bombay, Dadar, P.N.B. House-Bombay Fort, Mandvi Bhat Bazar-Bombay. Matunga-Bombay, Kingsway-Nagpur, Laxmi Road, Poona City, Hall Bazar-Amritsar, Ferozepur Cantt, Civil Lines-Jullundur, Chaura Bazar-Ludhiana, Jaipur, Kota, Mall Road-Kanpur, Nayaganj-Kanpur, Hazratganj-Lucknow Meerut Cantt, Kaiserganj-Meerut, Lyons Range-Calcutta, Brabourne Road-Calcutta, Maskati Market-Ahmedabad, Bangalore Cantt, Bangalore City, Checkpet-Bangalore, Hyderabad, Secunderabad, Bhubneswar, Cuttack, First Line Beach-Madras, Mount Road-Madras, Coimbatore, Chochin Trivandrum.

Prospectus and Application Form

Copies of the Prospectus and application forms can be obtained from the Registered Office of the Company, Underwriters, Brokers and Bankers to the Issue, named herein or from their main offices, branches at places mentioned above. Application must be made on the prescribed form only and in accordance with the instructions contained in the form and will be rejected if not so made. Applications may be made only by residents in India and must be for a minimum of 50 shares or multiple of 50 shares in the case of equity and 5 shares or multiple of 5 shares in the case of preference shares. No applicant should submit more than one application for each category of shares. Applications should be made separaely for equity and preference shares in the prescribed forms. Application for shares must be made in single names only and not in joint names. After allotment, shares can be transferred to joint names. Application forms properly completed must be delivered before the close of the subscription list together with full amount payable on application to any banker to the issue or their main offices or branches mentioned above.

objectives on a European scale. What is needed is not just coordination at the national level but a smoothly functioning balanced and integrated transport system for Europe as a whole, so that passengers and goods can move from country to country with the same ease as they do within their own borders. It is to this end that nations co-operating in the OECD programme will be directing their efforts.

Sources and acknowledgements : This article summarises a report by C.Kenneth Orski, Head of the OECD's Division Urban Affairs, published in the late *OECD Observer* (2 rue Andre Pasca Paris F 75775, Paris Cedex 16), but t OECD is responsible neither for the er phasis of my summary nor for n interepersed comments.

Nixon reviews controls

Hardev Singh

PRESIDENT NIXON in his annual report to the Congress has claimed that the system of wage and price controls in effect during 1972 helped bring about a combination of less inflation and more production. His Council of Economic Advisers were equally forthright on this issue, though they preferred to incorporate divergent views in their report. They reveal that some economists thought that the controls were not really effective. These dissenting economists rely primarily on the observation that the rate of inflation was declining before the controls began and that no sharp discontinuity in the decline of the rate of inflation can be dated from the beginning of the controls, Although a sharp cut in the inflation rate accompanied the freeze and a bulge followed the relaxation of the freeze, these, they hold, can be regarded as only briefly displacing in time the trend of prices that would otherwise have occurred.

From the other side it was argued that the controls were imposed largely because there was no such assurance that the decline in the rate of inflation, which had occurred before the freeze, would continue without it. One of the reasons for the fear that the decline in the rate of inflation might have been reversed was that by August 1971 the recovery of the economy was in its ninth month. At that point the rate of inflation had begun to accelerate rather than continue to decelerate. Although the feared acceleration of inflation was associated with the prospect of economic expansion, the price and wage increases were not expected to raise output in the bargain.

The case for the effectiveness of controls rests in part on an econometric study of the relation between the rate of inflation and other variables, such as unemployment, prior inflation rates, and growth of demand. The relations derived from past experience are used to project wha the inflation rate would have been in th absence of controls. Since, as has turne out in several studies, the projecte inflation rate was larger than the rat actually experienced in 1972, the con clusion is that the controls reduced th inflation rate, and by the amount of th difference.

One interesting set of facts bearing or the effectiveness of the controls system i the distribution by size of wage adjustments in collective bargaining agreements. The data are shown in the table below. The reduction from 1970 and 1971 to 1972 in the percentage of workers receiving increases of 10 per cent or more is striking, and it may reflect the curtailment of big increases by the controls. In 1968, when there were no controls and the average increases were about the same as in 1972, the percentage of very large increases was also much less than

First-year Wage Rate Changes in Collective Bargaining Agreements covering 1,000 Workers or more—1968 and 1970-72
(Per cent of workers affected)

Type of wage-rate actions*	All Industries				Manufacturing			
	1968	1970	1971	1972††	1968	1970	1971	1972††
All wage actions	100	100	100	100	100	100	100	100
No wage increase	†	†	1	2	†	†	1	1
Increase in wages	100	100	99	98	100	100	99	99
Under 1 per cent	†		†	†			1	
1 and under 2 per cent	2	†	†	1	†	†	†	†
2 and under 3 per cent		1	†	2	2	†	†	2
3 and under 4 per cent	7	1	1	4	2	1	1	2
4 and under 5 per cent	12	3	1	7	8	1	2	6
5 and under 6 per cent	19	17	3	20	11	6	4	23
6 and under 7 per cent	34	11	9	20	27	33	16	24
7 and under 8 per cent	6	8	5	16	25	18	7	19
8 and under 9 per cent	6	5	7	7	7	10	9	16
9 and under 10 per cent	12	54	10	8	8	6	6	2
10 per cent and over	1	1	61	12	9	24	53	4
Not specified			1		1	†	†	
Number of workers (thousands)	4,589	4,675	3,978	2,092	2,277	2,184	1,913	792
Mean adjustment (per cent)	7.4	11.9	11.6	7.0	7.0	8.1	10.9	6.6
Median adjustment (per cent)	7.2	10.0	12.5	6.3	6.9	7.5	10.1	6.2

*Per cent of estimated average hourly earnings excluding overtime. †Less than 0.5 per cent. ††Preliminary.

Note : Detail may not add to totals because of rounding. **Source** : Department of Labor. Bureau of Labor Statistics.

in 1970 and 1971. Still, the 1972 distribution is more compressed than that of 1968, at least in manufacturing; the proportion of very large adjustments was below the 1968 level. It may be added that the group of industries negotiating increases in 1972 was different from that in 1968. It has, therefore, been stressed in the report that the controls did reduce the rate of inflation, though the magnitude of the reduction remains uncertain. This uncertainty, however, does not imply an equal uncertainty about the value of the controls.

President Nixon has now decided to modify various controls after consultations with opinion leaders. He has stressed the need for establishing in the economy a pattern of behaviour consistent with a reasonable price stability. This, he points out, cannot be achieved with continued controls, which multiply red tape and increase inequities. Consequently, while private economic units will have to ensure that price or wage increases are within the standards, they will not require advance approval from the government.

However, the government proposes to maintain the legal authority, the practical capacity, and the will to intervene where necessary to stop action that is unreasonably inconsistent with the standards. President Nixon has, therefore, asked the Congress to extend the Economic Stabilization Act for one year, to April 30, 1974, to continue the authority.

An essential part of the anti-inflation programme is an increase of food supplies to restrain increases of food prices and bring about reductions where possible. The combination of natural occurrences holding down food production in the United States and abroad with rising consumers' incomes in the United States caused a sharp increase in food prices last year. These same forces are likely to be at work in the early part of this year. But the administration has taken steps to increase food supplies. New machinery has been established in the Federal government to assure that high priority is given to holding down food prices.

President Nixon hoped that restraint in budget policy, the new system of co-operative price and wage controls and special efforts to increase food supplies, coupled with the productivity and vigour of the private economy, are likely to make 1973 another year in which inflation and unemployment decline and output rises. But what is at stake in the policies of 1973 is more than economic performance. The President aims to make 1973 the prelude to a sustained period of growth and stability in a free economy.

Save with grace

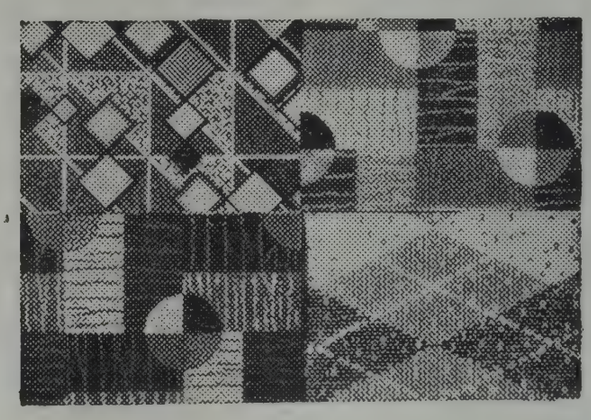
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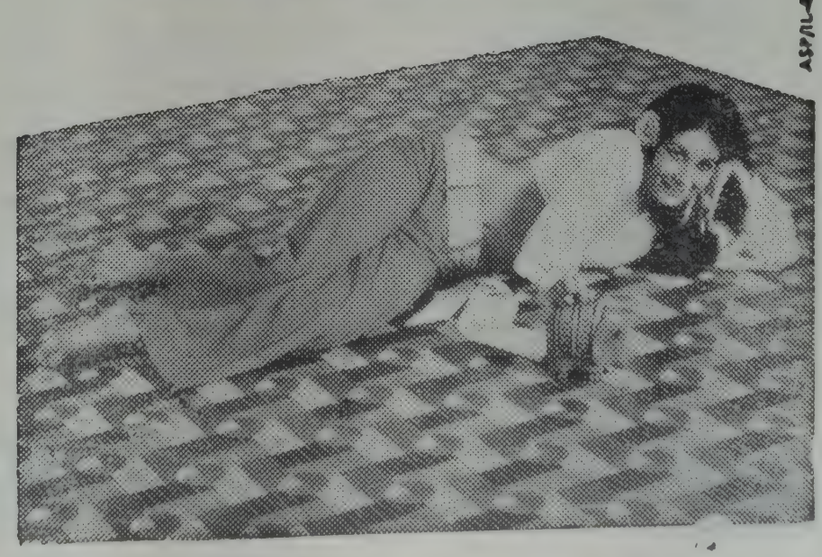
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Directory of local 46 Productivity Councils in India.

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Directory of Cotton & Textile, Silk & Art Silk, Man-Made Fibre, Jute, Linen, Felt, Woollen and Worsted, Carpet & Hosiery Manufacturers.

SECTION VI
Western Zone Of India: Directory of the Chambers of Commerce and Associations affiliated with the Chambers and also not affiliated with any Chamber.

SECTION VII
Northern Zone of India: Directory of the Chambers of Commerce and Associations affiliated with the Chambers and also not affiliated with any Chamber.

SECTION VIII
Eastern Zone Of India: Directory of the Chambers of Commerce and Associations affiliated with the Chambers and also not affiliated with any Chamber.

SECTION IX
Southern Zone Of India: Directory of the Chambers of Commerce and Associations affiliated with the Chamber and also not affiliated with any chamber.

SECTION X
Directory of All-India Manufacturers Organisation Members.

SECTION XI
Directory of Machine Tools Manufacturers in India.

SECTION XII
Directory of Stainless Steel Industries in India.

SECTION XIII
Directory of Chemicals, Drugs, And Pharmaceuticals, Dyes, Cement, Stationery, Paper, Rubber, Soap, Starch, Plywood, Plastics and other miscellaneous items. (By Products).

SECTION XIV
Directory of Indigenous Manufacturers of Engineering Goods in India (By Products).

SECTION XV
Directory of Instruments Manufacturers & Dealers in India.

SECTION XVI
Directory of Electrical Manufacturers in India.

SECTION XVII
Directory of Radio and Electronics Manufacturers and Merchants in India.

SECTION XVIII
(a) Directory of Automobile Manufacturers a Ancillary Vehicles, And Allied Industries.
(b) Directory of Motor Part Dealers in India.

SECTION XIX
Directory of Film Industry in India.

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Directory of Institutions for Higher Education in India.

SECTION XXI
Directory of Special and Research Libraries in India.

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Directory of Industrial Estates in India.

SECTION XXIII
Directory of Foreign Chambers of Commerce and Trade and Industrial Associations in the World.

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MOVING FINGER

When Mr Uma Shankar

Dikshit was imprudent enough to say publicly of the Watergate scandals that "we in India shudder to think that such things could happen in a democracy", my immediate thought was that the lady, so to speak, "doth protest too much". Mr Dikshit, it is clear, was speaking from an uneasy conscience, if not a downright guilty one. It is no secret at all that, from the time of President Giri's election to that office, the politics of the ruling party have been one wide-open Watergate. Mrs Gandhi might not have exactly rigged the general election of 1971, but neither did Mr Nixon the election which returned him to the White House for a second term. It is now known, however, that the men around him did employ, presumably with his knowledge and approval if not under his positive direction, every base or dirty trick that could subvert the democratic process. Unfortunately, in this country we do not have a press resourceful enough or a legislature independent enough to track down and document such skull-duggery and ensure that those who have been indulging in it are made to pay the price for their wrong-doing. This, however, does not mean that the public does not have a general idea or the cognoscente solid information about the way the games of power politics have been and are being played in this country.

That we have our John Mitchells, Mauris Stans and, naturally, Robert Vescos as well as Haldemans and Ehrlichmans is obvious enough. It is of course not necessary for me to name these Indian counterparts since, as guessing games go, it ought to be a fairly simple exercise for my readers to identify these worthies. That the corrupt gathering by politicians in power of large amounts of black money from businessmen, direct from individuals as well as through the media of trade associations, and the employment of strong-arm tactics to bully or blackmail difficult 'donors' or inconvenient political opponents have been and are being resorted to in this country for building a centre of arrogant authoritarian leadership in the heart of the government in New Delhi as has been done in the USA for promoting Mr Nixon as a President who is above both law and constitution is also not a proposition which needs to be laboured here.

On Friday, last week,

in its 'Spotlight' programme, All India Radio broadcast a script by me on the Taxation Laws (Amendment) Bill, 1973, the main purpose of which is to curb tax evasion and unearth black money. Next morning, an eminent jurist, who occupies a high position in public life, phoned me and said that I had been unduly soft towards the government. His complaint was that I had not brought out clearly the point that the politicians in power were very considerably active in the traffic in black money and that the Bill's *bona fides* could be established only if a provision were included prescribing a deterrent prison sentence to ministers or other politicians, who 'sold' or otherwise misused their authority or influence for contributions to party funds, some part of which had a way of ending in their own pockets. He said that, since the law prohibited companies from contributing to the coffers of political parties, the prevailing practice was for individual businessmen to make large cash donations. He therefore, felt strongly that the present Bill should make the receiving as well as the giving of cash in this manner an offence punishable with imprisonment for a period of from three to seven years. His argument was that, once this was done, the political boss or minister, who received such cash contributions, would automatically find himself in a position where he would have to live with the possibility or threat of disclosure.

Naturally I could have no difference with this gentleman over what he says and I pointed out to him that I had not been completely unmindful of the 'political corruption' aspect of tax evasion or black money and that there was in fact a sharp sting in the tail of my script. I quote the relevant last para :

> "Finally, a word about the uses of black money. Obviously, much the greater part of black money is used to make more black money for its owner in businesses of various kinds, but some of it is also used in the process to corrupt the administration, politics and public life in our country. If this is conceded, as indeed it must be, it would just not be enough for the tax administration to be armed to the teeth with authority or powers of all kinds for dealing with evasion. It is even more important that there should be a vigilant press and public opinion so that it becomes at least as risky to use black money to grease the palms of bureaucrats or politicians as to conceal it from the tax administration."

The other day, in the

Lok Sabha, Mr Mohan Kumaramangalam gave a fine display of outraged virtue when someone suggested that the new chief justice of the Supreme Court was related to the minister for Steel and Mines. Mr Kumaramangalam denied this and he naturally ought to know. Even so, I fail to see what the minister sought to gain by getting red in the face. If he is indeed so sensitive to suspicions of nepotism, I wonder what he has to say about the appointment of his younger brother, Mr J. G. Kumaramangalam, as the czar of the nationalised coal industry. It may be noted that Mr Gopal Kumaramangalam was the chairman and managing director of the Neyveli project at the time he caught his elder brother's eye, which was looking far and near as well as high and low for the most meritorious person going for the post of the Custodian-General of the Coal Mines Authority. It may interest some Members of Parliament to know what quite a few persons in Tamil Nadu think of the younger Kumaramangalam's record in Neyveli. A prominent and respected figure in the business and public life of Tamil Nadu told me recently that, if the government were to legislate for economic offences as suggested by the Law Commission, the man who has managed to run down the power station at Neyveli certainly ought to take his place in the first batch of defendants.

Talking of Members of

Parliament, I suggest that the return of Mr Madhu Limaye to the Lok Sabha is the best thing that has happened to the country since the general election of 1971. In saying this I am not under-estimating the resourcefulness of Mr Piloo Mody in the matter of annoying or embarrassing the government. But then, Mr Mody is apt to have more fire-water than fire in his belly. Fat men, moreover, seldom impress as prospective political assassins, figuratively speaking of course. It needs a lean and hungry man, with consuming hates and the killer instinct, to give serious battle to power-crazed authority.

VB

TRADE WINDS

Jute International

MAJOR JUTE and kenaf producing countries of Asia including India, Bangladesh, Thailand and Nepal, are to launch a joint marketing promotion drive to counter the increasingly stiff competition that their natural soft fibres face from synthetics in the world market. The marketing promotion and research programme will be conducted by an international organisation located in Delhi, to be known as Jute International. The organisation will spend $ 10 million annually. Research will be carried out at a regional technical centre to be built in Dacca. Four regional offices, one each in the Americas, E. Europe, W. Europe and South-East Asia, will help in the world-wide drive to maintain a strong demand for jute and kenaf and maximise their consumption. The technical assistance required for launching Jute International will be assessed by a joint UNDP-World Bank team, which is to visit major natural soft fibre producing and consuming countries in west Europe, Asia and the USA. The setting up of Jute International was one of the many measures recommended by a UNDP fact-finding mission two years ago to meet the threat of synthetics to natural soft fibres.

The Jute International will carry out a worldwide sales promotion based on extensive market research. Members will contribute $ 5 million towards Jute International's annual budget for the next five years. The remaining $ 5 million, as well as $ 3 million for the regional technical centre will come from bilateral and multilateral sources. India and Bangladesh will have four representatives each and Thailand Nepal one each on the board of directors of Jute International. UNDP and the World Bank have been offered one seat each on the board.

Tobacco Board

The union government proposes to set up a Tobacco Marketing Board. The officials of the Commerce ministry have gone to Hyderabad for preliminary consultations as Andhra Pradesh is the biggest producer of virginia leaf in this country. To be entrusted with the task of export promotion, the board would be an autonomous body. There had been a persistent demand from Andhra tobacco growers that a statutory board should be constituted. Among the major countries importing cigarettes and leaf tobacco from India are the USA, the USSR, Japan, the UK, West Germany, Australia, Hungary, Sudan, Bangladesh and Czechoslovakia. The export of cigarettes alone from India rose from Rs 29 lakhs in 1970-71 to Rs 1.57 crores in 1971-72. The value of cigarettes exported in 1972-73 was Rs 1.88 crores. The current year's exports are expected to be well over Rs 2 crores. There is no restrictions on exports of cigarettes. Ten per cent of f.o.b. value of exports is allowed to registered exporters of cigarettes for import of filter tips and tobacco for blending.

Expansion of Car Output

Mr T.A. Pai, union minister for Heavy Industry stated recently that the existing car manufacturers would be allowed to expand their capacity to the maximum. Speaking at a meeting of the Forum of Financial Writers, Mr Pai said Premier Automobiles had already been allowed to expand and other companies would also be allowed to do so. The government would however insist on the improvement of the quality of the cars. He strongly advocated standardisation of equipment for various types of plants such as fertiliser plants. This was necessary for proper production planning of huge plants such as heavy electricals. Foreign collaboration should conform to the standarised machinery in the country.

Fifth Plan from Districts

To initiate planning at the grass-root level, the Planning Commission has directed all state governments to send it detailed district plans as appendices along with state plans for incorporation in the fifth Plan. Disclosing this in the Lok Sabha on May 11 Mr Mohan Dharia, deputy minister for Planning, stated that 13 states had set up planning boards at the state level. The states had been told to treat districts as the basis for planning. The government was keen that the process of formulation and implementation of the Plan should begin from the lowest rung of the administrative set-up, and that not merely officials but also the representatives of the people should participate in the process. Mr Dharia admitted that involvement of the people in the planning process was not adequate in the fourth Plan. But this lapse had been corrected and the preparation of distric plans was entirely a new concept.

Export of Cashew Kernel

During the first 11 months of 1972-73 (April 1972-February 1973) exports of cashew kernel have exceeded the total exports in 1971-72 by Rs 2.4 crores. Cashew kernel worth Rs 63.73 crores were exported during April 1972-February 1973, out stripping the record exports worth Rs 61.33 crores in 1971-72. The biggest buyer of Indian cashew during the first 11 months of 1972-73 was the USSR (worth Rs 23 crores), followed by the USA (Rs 22 crores). Canada imported (Rs 6 crores worth), Japan (worth Rs 2.1 crores), the UK (worth Rs 1.7 crores) and GDR (worth Rs 1.4 crores).

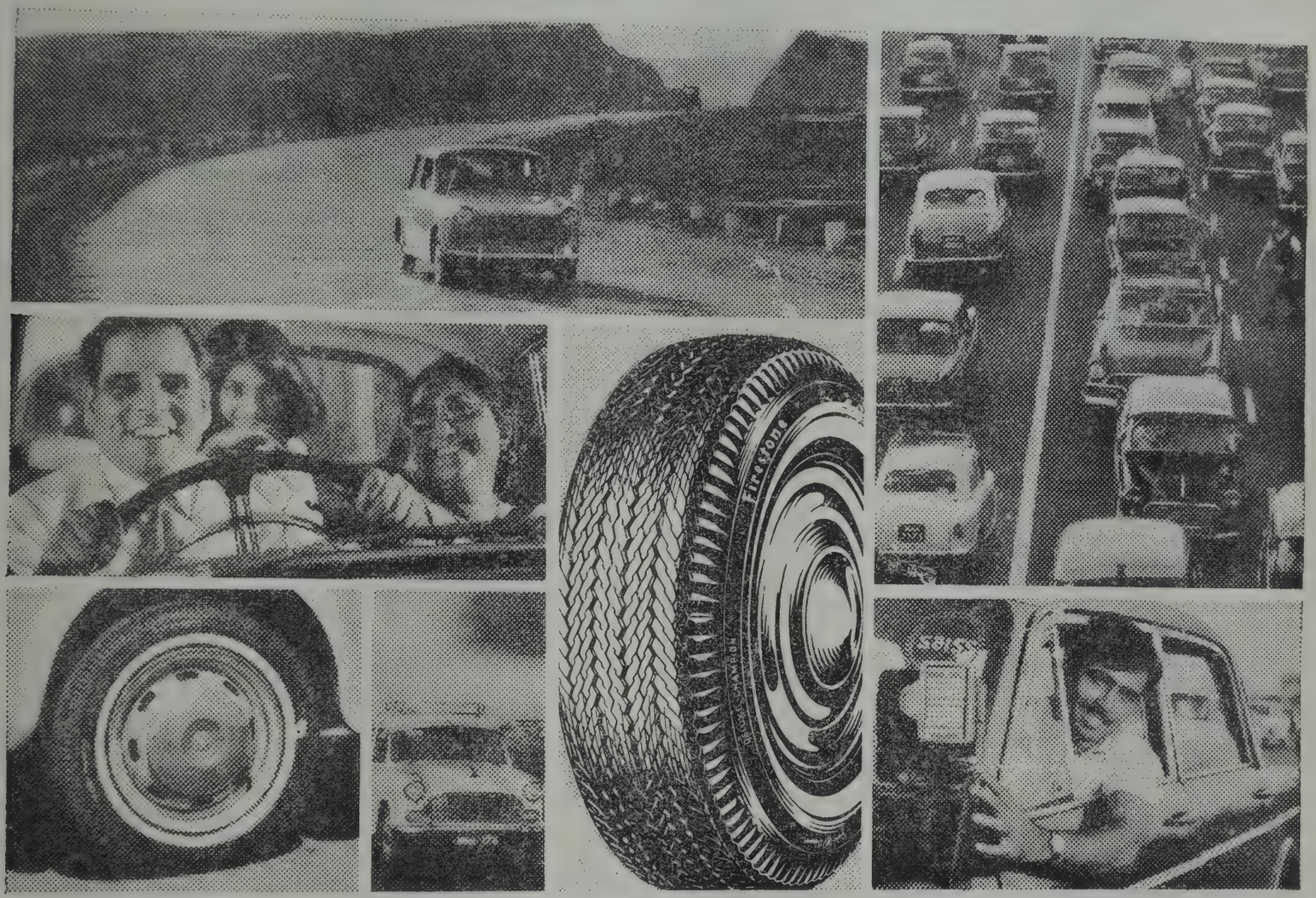
Drive to Boost Exports

A month long drive to clear all pending cases of import applications, REP licences and cash assistance has been initiated by the Chief Controller of Imports and Exports (CCI &E). At the end of March 1973 there were 3,215 import applications pending with the 12 regional offices. The CCI &E has directed all these offices to put in two hours of extra work everyday with the specific purpose of clearing the backlog. It is expected that the normal carry forward by the end of the month-long drive will come down, at the most, to one-fourth of the normal carry forward in the earlier period. The largest number 1,232, outstanding import applications were in the Bombay office. Other offices with heavy backlog were Delhi, Calcutta and Madras with 802,342 and 257 pending applications respectively. The fresh receipts of applications for imports during March 1973 were 2,587. There was a backlog of about 4,044 pending cases.

FICCI on Exports to EEC

At a meeting held recently under the chairmanship of its President, Mr Charat Ram, representatives of the Federation of Indian Chambers of Commerce (FICCI) discussed with Mr K. B. Lall, India's ambassador-designate to the European Economic Community the prospects for increasing exports from India to the EEC. It was appreciated that the ministry of Commerce has evolved a commercial development programme

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Ambassador 5.90-15 White Black 6 PR—Rs. 178.06; 5.90-15 Black 6 PR—Rs. 158.12 *Torino Taxi Special 5.90-15 Black 6 PR—Rs. 173.93 *Fiat 5.20-14 White Black 6 PR—Rs. 152.62 *Standard 5.60-13, White Black 6 PR—Rs. 167.47; 5.20-13 White Black 6 PR—Rs. 162.77 Willys Jeep 6.00-16 GGND 6 PR—Rs. 225.00 (Sales Tax & Local Taxes extra).

to increase India's exports to west Europe by an additional Rs 200 crores as soon as possible. The main components of the programme would be to evaluate fully the requirements of the EEC market on a medium and long term basis, to collaborate with west European enterprises in the field of industry and technology and to develop new techniqnes of marketing Indian products. This would help in creation of requisite export capacity together with such product development/adaptation as may be neccesary. It was agreed that the FICCI president would use his good offices to have the programme implemented through the various export organisations and their commodity panels, which will study in depth the market situation in west Europe.

Co-operation with Yugoslavia

Mr Trajanovski, Yugoslav minister for Economic Affairs and Mr A. C. George, deputy minister for Commerce had discussions recently relating to trade and economic co-operation between India and Yugoslavia. M. Trajanovski assured all help to India in the fields of ship building and agriculture. He also suggested co-operation in joint industrial ventures. Mr George said that during his recent visit to Belgrade, he and the Yugoslav authorities identified the arees of co-operation. His meetings with Yugoslav authorities proved fruitful and more trade between the two countries was in the offing. Mr Trajanovski had further discussions with the Commerce Secretary, Mr B.B. Lal. The Yugoslav minister was assisted by Mr Zelic, deputy minister for Finance.

Shipping Between India and Sudan

The representatives of the Sudan Shipping Line had a preliminary discussion with the officials of the ministry of Shipping and Transport and the Shipping Corporation of India here recently. The Sudan Shipping Line—a government of Sudan undertaking—was expected to commence functioning in October this year with two vessels and would like to extend their service to India, Japan and China. Mr N. R. Reddy, joint secretary, represented the ministry of Shipping and Mr P. N. Jain, Executive Director the Shipping Corporation of India. Mr Ismail Mohammed Bakheit, Chairman of the Sudan Shipping Line was the main spokesman on behalf of the Sudanese delegation. Mr Jain pointed ont that the Shipping Corporation of India was already running three ships between India and Sudan and trade between the two countries was of the order of Rs 60 crores annually. He suggested consideration of bilateral arrangements between the two countries on the basis of parity.

Indo-Thai Air Talks

A high-level air delegation from Thailand arrived recently to have talks for revision of route schedule and increase of frequencies of the air services between the two countries. The Thai delegation was led by Dr Sirilak Chandrangsu, vice-chairman of the Civil Aviation Board, and the Indian delegation by Mr N. Sehgal, secretary, ministry of Tourism and Civil Aviation. An agreement between the government of India and the government of Thailand for air services between and beyond their respective territories was signed on December 19, 1969 and was ratified on May 24, 1971. Under the agreement, the designated airlines are entitled to operate a total of 8 services per week in either direction to and through each other's territory.

Indo-Bangla Power Co-ordination

Problems of common interest to India and Bangladesh in the field of power development were discussed at the first meeting of the Indo-Bangladesh Joint Power Co-ordination Board which concluded recently. The meeting, in particular, discussed steps for exchange of technical data and information necessary for formulating concrete proposals for mutual co-operation and co-ordination in the field of power. The next meeting of the board will be held in Dacca in August. The Power Co-ordination Board comprises four members—engineers with experience of power development,—two each from India and Bangladesh.

Power Consortium Earns Foreign Exchange

The Indian Consortium for Power Projects Pvt. Ltd, New Delhi, has improved its foreign exchange earning from Rs 7.5 lakhs in 1971-72 to Rs 43.5 lakhs in 1972-73. The consortium hopes to earn gross foreign exchange of a value of one crore of rupees during 1973-74 which will form about 27 per cent of India's total exports of power machinery and distribution equipment. The consortium has already earned the appreciation of Tanzanian Electric Supply Company for completing a contract of Rs 28.5 lakhs ahead of schedule to the entire satisfaction of the consumer. In view of the very nature of the job undertaken by the consortium involving execution of contracts for power projects which extend over long period of 1 to 5 years, there is an inherent time lag between the securing of contracts and their completion. The contracts secured in the very early stages of the operations of the company have now started yielding results. The order-book position of the consortium has been improving year after year and the total value of the contract already secured during 1972-73 stands at over Rs 1.73 crores with further orders of over Rs 1.5 crores in the offing including Rs 50 lakhs worth of export orders. according to the annual report of the ministry of Industrial Development for the year 1972-73.

Heavy Electricals Expansion

Mr Tom Boardman, minister in the Department of Trade and Industry, United Kingdom, recently on a visit to this country said that whatever little he had seen of this country, he was impressed by the progress made in different spheres in a short span of time.

Mr Boardman made these observations during discussions with Mr M. S. Padmanabhan, general manager and other senior executives of Heavy Electricals (India) Limited, Bhopal. Referring to the Heavy Electricals factory at Bhopal the minister said that he was happy to see this yet another symbol of Indo-British technical co-operation. It was indeed encouraging to hear the quality-wise this factory was comparable to any similar factory in the world and that it had turned the corner finnncially also. Mr Padmanabhan, general manager, in his introductory remarks stated that the factory now would be going for newer

WANTED

Applications are invited for one post of Senior Investigator in the Tea Board's Head office in Calcutta in the scale of Rs. 350-20-450-25-575 *plus* the usual allowance as admissible to Central Government employees of corresponding grade statoined in Calcutta. The candidate must possess a Master's degree in Statistics or Mathematics or Economics of a recognised University with knowledge of statistical work in a supervisory capacity. Age mus not exceed 32 years as on 1.6.1973.

Prescribed application form together with details of the post may be obtained from **Secretary, Tea Board, 14, Brabourne Road, Calcutta-1**, either personally or by sending stamped self addressed envelope. Completed applications will be received upto 8th June, 1973.

technology such as 500 MW turbo-generators, 400 KV transformers, thyristors and electronic equipment. The current power shortage in the country had put pressure on the factory and as such expeditious supply of those components and raw materials imported from UK was of great significance for the country.

Rural Electric Co-operatives

The Committee on Rural Electric Co-operatives has suggested that more rural electric co-operatives should be promoted in the country during the fifth Plan for servicing agriculture and stimulating rural economic growth. The committee has stated that this type of co-operative has a potential to contribute to the overall programme of rural electrification. It has suggested that the co-operative should be project based and area coverage should be its essential feature. The committee examined all aspects of the formulation, organisation and working of the five pilot rural electric co-operatives financed by the Rurat Electrification Corporation. The report has recommended that the minimum viability of these co-operatives should be judged by their capacity to service the loans and their ability to sustain themselves financially. The co-operatives should have adequate margin between rates for purchase and sale of power. Subsidies provided by the state governments to state electricity boards for rural electrification should also be extended to these co-operatives.

Spurt in Tourism

There has been a big spurt in the tourist traffic during the first four months of this year and the number of foreign tourists stood at about 140,000, registering an increase of 34.5 per cent over the number in the corresponding period last year. This was stated recently by Dr Karan Singh, union minister of Tourism and Civil Aviation at a meeting of the consultative committee of members of Parliament attached to his ministry. The minister said that in view of the encouraging trend in the growth of tourist activity, the target of 400,000 tourists for the year 1973 will not only be achieved but was likely to be exceeded.

Dr Karan Singh added that a new component in the tourism infrastructure in the country was the development of wild life tourism. Specially designed rest houses were being constructed at the wild life sanctuaries including Kaziranga, Gir, Bharatpur, Kanha and Corbett National Park, Bandipur, Dandeli, Jaldapara, Nal Sarover and Kalesar forests. The minister informed the members that the department of Tourism had launched a programme of developing domestic tourism at a greater pace. While it would provide infractructure for international tourism as well, the object was to bring together people from far-flung areas, particularly young people, who should know the country and its people intimately. To provide tourist facilities at low cost, a chain of 17 youth hostels was being set up in different parts of the country.

Provident Fund Contribution

The union government has decided to invest 45 per cent of the net accumulations out of provident fund contributions in the central government securities, 25 per cent in state government securities and state or central government guaranteed securities, and 30 per cent in the post office time deposits and small savings for a period from April 1, 1973 to September 30, 1973, both for exempted as well as unexempted establishments under the Employees' Provident Fund. The new pattern of investment has been laid down to enable the Employees' Provident Fund to earn higher rate of interest on its investment for distribution among its subscribers.

The Employees' Provident Funds Act covers 56,507 establishments and 65,71,803 employees, out of which 41,68,092 employees are subscribers of the statutory fund. The rest are members of exempted funds.

Readers' Roundtable

Indirect Payments

Dear Sirs,

Perhaps you are aware that public limited companies are giving some fringe benefits and even monetary concessions to their shareholders which tentamount to indirect payment of dividend, increase in expenditure, reduction in profit and consequent shortfall in payment of income tax.

Calico appears to be in the forefront in this regard with the issuance of shareholders' discount coupons, i.e. on purchases, the shareholders get a 10 per cent shareholders' discount. The argument can be that it enables the shareholder to know the products of their company, publicise them and thus boost up the sales. The basic principle of an advertisement, I read during my schooldays that "a satisfied customer is the best publicity" is perhaps as sound even today. Discount to customers can do wonders but discount to shareholders, besides being illegal distribution of dividend, is immoral like the shopkeeper stealing from his shop or evading tax by manipulation of accounts.

National Rayons is accepting deposits and if shareholders make a deposit, the rate of interest is ½ per cent more than to deposits from non-shareholding public. The maximum rate of interest is 11 per cent. In my view this step also tenamounts to indirect payment of dividend, increase in expenditure and reduction in income tax payable by the company. Besides acceptance of deposits by industry directly deprives normal banking of its legitimate business. Also, accepting deposits without providing security to depositors may result in disastrous consequences to the ignorant, may be interest greedy depositors.

Facilities like free transport, lunch, snacks, token presents on the day of annual general meetieg may perhaps be ignored, but concessions which can be measured in terms of money can not be ignored. Perhaps the infringement of law is not noticed since no one is directly affected.

I doubt if such practices can be accepted by auditors of the company, who today represent the conscience of the country and are not an appointee of the shareholders or the directors.

Sd.

Visakhapatnam-5 M. L. Jain

COMPANY AFFAIRS

Pfizer

ALL DIVISIONS, including pharmaceuticals of, Pfizer Ltd have reported satisfactory progress during the year ended November 30, 1972. During the year the company has made an entry in the field of fine chemicals. With immense scientific know-how the company is confident of making a significant contribution in this area of manufacture. The company's manufacturing facilities both at Bombay and Chandigarh operated efficiently during the year and almost all the targets set for the year have been reached. The company is going ahead with its research and development programmes. Its import substitution programmes have yielded rich dividends to the company. As the fifth Plan has set a very ambitious target for the pharmaceutical industry involving a 100 per cent increase in formulation production, it will mean a doubling of investment and a three to four-fold increase in basic manufacture over the next five years. This is considered a challenge to professional management and Pfizer feels confident that it will continue to play a positive role in future years as well.

With an expansion in net sales from 20.84 crores to Rs 24.38 crores, gross profit too advanced from Rs 534.54 lakhs to Rs 642.16 lakhs. Out of the gross profit, the directors have charged Rs 56.89 lakhs to depreciation reserve as against Rs 52,24 lakhs while the appropriation to development rebate reserve was reduced to Rs 3.25 lakhs from Rs 6.50 lakhs in 1970-71. Taxation claimed Rs 385.17 lakhs, Rs 76.35 lakhs more than in the preceding year. The net profit, after these allocations amounted to Rs 196.85 lakhs which was six months ended March 31, 1973 by Rs 29.87 lakhs. After providing Rs 117.20 lakhs for the four interim dividends—the first three at the rate of five per cent (50 paise per equity share) and the fourth interim dividend at six per cent (60 paise per equity share) making a total of 21 per cent (Rs 2.10 per equity share) and making other adjustments, a sum of Rs 80.70 lakhs was transferred to the general reserve. The directors have not recommended the fifth and final dividend in view of the four interim dividends already paid.

Indian Explosives

Indian Explosives has maintained the equity dividend at 7.5 per cent for the year ending September 30, 1973. With a final dividend of 10 per cent the company paid a total dividend of 17.5 per cent for 1971-72 as against 15 per cent for 1970-71. The half yearly report reveals that although the total turnover for the first six months of the current year showed a modest improvement over that of the corresponding period of last year, the profit was lower on account of the rise in cost of production. Production and sales of the fertillizer division were adversely affected as a result of power rationing and the strike of electrical engineers in U.P. This apart the unabated rise in cost of raw materials has made deep inroads into the profit margins of the company. There was an accident that caused considerable damage to one the plants at Gomia. Repairs are progressing satisfactorily and the plant is expected to be recommissioned by the middle of next month. According to the unaudited figures, the company's turnover in the first 6 months ended March 31, 73 amounted to Rs 22.10 crores as against Rs 21. 96 crores in the corresponding period of last year. Of this, sales of explosives accounted for Rs 8.06 crores and fertilizers for Rs 14.13 crores as against Rs. 7.70 crores and 14.26 crores respectively in the similar period of last year. The company's net profit for the first six months of the current year was around Rs 1.95 crores as against Rs 2.49 crores in the same period of last year. The net profit has been arrived at after providing Rs one lakh for taxation and Rs 74 lakhs for development rebate reserve as against Rs one lakh and Rs 42 lakhs provided respectively in the comparable period of last year.

CAFI

Chemicals and fibres of India have maintained the interim equity dividend of a rupee per share for the year ending September 30, 1973. The company paid a total equity dividend of Rs 2.50 per share for 1971-72. The company's gross sales in the half-year ended March 31, 1973 mounted up to Rs 17.42 crores from Rs 11.50 crores in the corresponding period of last year, the net sales being Rs 7.28 crores against Rs 5.14 crores. The company's gross sales for the whole of 1971-72 amounted to Rs 36.46 crores while net sales totalled Rs 15.69 crores. The company's pretax profit for the half, year ended March 31, 1973 was higher at Rs 1.69 crores and the profit after tax at Rs 62 lakhs as compared to Rs 57 lakhs and Rs 30 lakhs respectively in the similar period of last year. The pre-tax profit for the entire period of 1971-72 was of the order of Rs 3.53 crores while the profit after tax amounted to Rs 1.75 crores.

The company's production which was severely affected in the first half of 1971-72 by the recesion in the industry recovered rapidly in the first quarter of the year. Its output was slighty affected due to adverse industrial relations early this year but the company is now operating with the full benefit of the expanded capacity. The company's sales are not affected by the marginal Increases in excise duties on blended fabrics levied in the budget.

J.K. Chemicals

J.K. Chemicals' working results for 1972 are extremely disappointing. The dividend for 1972 was pruned to seven per cent from 15 per cent paid for the previous year and even the reduced dividend is being paid entirely out of the reserves. According to the preliminary statement released by the company the gross profit has contracted by nearly 47 per cent from Rs 44.62 lakhs to Rs 23.78 lakhs. Allocations to all reserves have been reduced. The appropriation to depreciation reserve was slashed to Rs 23.73 lakhs from Rs 23.84 lakhs to development rebate reserve from Rs 2.70 lakhs to Rs 1.91 lakhs and taxation from Rs 5.25 lakhs to Rs 3.90 lakhs. This leaves a deficit of Rs 6.70 lakhs as against a surplus of Rs 12.83 lakhs. The proposed equity and preference dividends will absorb Rs 5.78 lakhs, as against Rs 10.59 lakhs in the preceding year.

New India Industries

The directors of New India Industries have maintained the equity dividend at 15 per cent for 1972 on a capital increased by the issue of two bonus shares for every five shares held. Sales during the year were higher by about 16 per cent at Rs 5.56 crores as against Rs 4.79 crores in 1971. Gross profit too recorded a smart rise of 18 per cent to 102.67 lakhs from Rs 87.34 lakhs in 1971. Out of the gross profit an amount of Rs 20.96

lakhs was charged to depreciation reserve, Rs 1.92 lakhs to development rebate reserve and Rs 42.25 lakhs to taxation reserve as against Rs 15.97 lakhs, Rs 5.98 lakhs and Rs 39.25 lakhs provided respectively in 1971. Besides a sum of Rs 17.33 lakhs was allocated for gratuity as against no allotment in 1971. After adjustments an amount of Rs 17.88 lakhs was transferred to general reserve. The proposed equity dividend will claim Rs 20.52 lakhs, Rs 5.86 lakhs more than in 1971 and it will be paid out of the general reserve.

Larsen & Toubro

Indian industry need no longer depend solely on imported equipment for its needs of sophisticated electronic control systems. A comprehensive range of static controls for every industry has just been introduced by Larsen & Toubro Limited. The company has developed professional class electronic control systems so vital to a wide range of industries, and manufactures them to exacting standards.

Thyristor converter equipment is available for continuous speed control of D.C. motors up to 500 h.p. The equipment is suitable for paper, cement, steel, metal working, machine tool, chemical and other industries. Thyristor inverter equipment of up to 25 KVA is suited to function as a "no-break" power source in case of mains failure. It can also be used to obtain A.C. power supply where the only available source is D.C. The range offered by the company includes static switching logic equipment and static fault annunciating equipment. The former offers automatic control of machine tools conveying and handling equipment and flow production processes. The fault annunciating controls facilitate centralised supervision in process plants. The company has a specialised team of system in engineers to study the requirements of industries and design electronic controls to meet their specific needs.

Bank of Rajasthan

Bank of Rajasthan Ltd. continued to maintain its record of progress in all speres of its activities. A noteworthy feature of the Bank's operations in 1972 was that its achievements were of larger dimensions than in any of the earlier years. With a sharp rise in the number of accounts from 133,528 to 149,312 deposits rose to the record figure of Rs 29.31 crores, registering an increase of as much as Rs 4.65 crores over 1971. All types of deposits contributed their share to the impressive increase in deposits. Deposits under fixed and call deposits advanced from Rs 13.80 crores to Rs 16.52 crores while savings deposits mounted up from Rs 5.81 crores to Rs 6.82 crores. Deposits under current accounts were higher at Rs 5.93 crores as compared to Rs 5.01 crores in 1971 while staff security deposits were up by Rs 0.37 lakh to Rs 4.42 lakhs. There was a marked expansion in the bank's credit portfolio. Advances, including bills purchased and discounted stood at Rs 18.05 crores registering a gain of Rs 2.39 crores over 1971. The progressive increase in advances to priority sectors was well maintained during the year. The bank's advances to agriculture, small scale industries, retail trade and other neglected sectors amonnted to Rs 1.29 crores as compared to Rs 1.27 crores in 1971. The investments of the bank aggregated to Rs 7.96 crores of which 98.8 per cent was invested in government and other securities. About 54 per cent of the investments will be maturing within the next ten years. During the year under report a sum of Rs 4.96 lakhs was received towards share capital raising the paid-up capital to Rs 30 lakhs. After transfer of Rs 3.61 lakhs to Reserve fund and Rs 60,570 to other reserves, the total reserves of the bank have been strengthened to Rs 31.69 lakhs. The working funds of the Bank too improved to Rs 32.99 crores. recording a handsome rise of Rs 5.36 crores over 1971. The bank continued with vigour its branch expansion programme. During the period under review 13 new branches were opened and one more has been added after December 31, 1972 at New Rohtak Road, New Delhi, raising the total number of branches to 95. At least 10 more offices are proposed to be opened in the course of the current year.

There was a marked increase in revenue from interest and discount to Rs 2.05 crores from Rs 1.61 crores while the income from commission, exchange and brokerage was maintained at around Rs 38.34 lakhs. The outgo by way of interest on deposits and borrowings was larger by Rs 0.30 crore to Rs 1.23 crores while salaries and allowances and provident fund claimed Rs 83.52 lakhs as compared to Rs 70.19 lakhs in 1971. The working of the bank during the year has resulted in a net profit of Rs 18.05 lakhs as against Rs 18.50 lakhs in 1971. The directors have recommended a dividend of 13 per cent on the paid-up amount of shares pro rata, subject to tax, and it will absorb Rs 3.70 lakhs. After making other adjustments a surplus of Rs 7.20 lakhs has been carried forward subject to payment of bonus.

News and Notes

(Expansion & Diversification)

The bicycle tyre plant at Nasik of **Ceat Tyres of India**



Our fleet of eighteen modern freighters offers fast, regular and dependable service between

INDIA—U. K. & THE CONTINENT • INDIA/BANGLADESH—SOUTH AMERICA
INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.

"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

has started trial production since February 1973. However due to power restriction, which may be lifted after July or the earliest, the plant will continue to operate only on a single shift basis. As per the government policy, the company has been issued a licence for the import of truck tyre building machine and band building machine for the manufacture of additional 10,000 truck tyres. This equipment has been installed and will be commissioned in the second quarter of 1973. The company has also applied for increasing the production of both truck and passenger tyres by 160,000 tyres and the necessary licence for the import of machinery is expected shortly. The cost of this expansion programme is placed at Rs 2.69 crores, which will be met from internal sources. If the company's application for expansion and a new factory are approved by the government the company will be making rapid strides to become one of the leading tyre manufacturing companies in the country.

New Issues

Punjab Anand Batteries, a venture jointly sponsored by the Punjab State Industrial Development Corporation Ltd and Mr C. L. Anand, Managing Director of Toshiba Anand Batteries, Ltd, Cochin, is engaged in setting a new project at Mohali, District Ropar, in Punjab state, for the manufacture of 60 million dry cell batteries per annum. The company has secured the technical collaboration of the world famous Toshiba-Ray-O-Vac, K. K, Tokyo, Japan, in the execution of this project. According to current indications the plant is expected to start trial runs in July-August 1973. The company has already entered into an agreement with Messrs Chloride India Ltd, Calcutta, for the direct sale up to 30 million pieces of dry battery cells per annum. The company has a share capital of Rs 80 lakhs consisting of equity shares worth Rs 60 lakhs and preference capital of the value of Rs 20 lakhs. Out of the equity capital of the Rs 60 lakhs, the Punjab State Industrial Development Corporation has already taken up shares to the tune of Rs 15.60 lakhs and Rs 15 lakhs by Mr C. L. Anand and associates. The remaining 2,94,000 equity shares of Rs 10 each and 20,000 redeemable cumulative preference shares of Rs 100 each carriying a dividend of 9.5 per cent per annum are now being availablie for public subscription. The subscription lists opens on June 4. The amount payable on each equity shares on application and allotment respectively will be Rs 2.50. In respect of preference shares application and allotment money will be Rs 50 respectively per share.

Saroj Alloys and Steels Ltd. is setting up a mini steel plant near Hospet in Mysore state. The plant will have an annual capacity for manufacturing 13,500 tonnes of mild steel ingots and billets. The company has entered into an agreement with Messrs W. S. Atkins (P) Ltd., one of the leading engineering consultants, for rendering complete consultancy and detailed engineeriug services for the project. According to current indications the plant is expected to commenee production by the end of the current year or by January 1974. The billet size ingots which the company proposes to manufacture are the raw materials for re-rolling mills. As there will be an acute shortage of billets in the coming years, there will be a ready market for the company's products. To raise part of the resources required for the implementation of the project the company is offering to the public for subscription for cash at par 2,40,000 equity shares of Rs 10 each and 8,000 redeemable cumulative preference shares of Rs 100 each, carrying a dividend of 9.5 per cent per annum. The list for this fully underwritten issue opens on May 22 and will close on June 2 or earlier at the discretion of the board of directors of the company but not before May 24.

Shriram Fibres Ltd., a new company in the Delhi Cloth and General Mills group, is entering the market on May 29, 1973, to raise capital to the extent of Rs 1.772 crores in the form of 13,72,000 equity shares of Rs 10 each and 40,000, 9.5 per cent redeemable cumulative preference shares of Rs 100 each. The proceeds of the issue are to be utilised for setting up a 2,000 tonnes capacity nylon tyre cord plant at Manali, near Madras.

The total issued capital of the company is Rs 3.20 crores, comprising 28,00,000 equity shares and 40,000 redeemable cumulative preference shares. Ninety equity shares have already been allotted to the directors and the subscribers to the memorandum of the company; they have been fully paid for in cash. Nearly 40 per cent of the total share capital has been allotted to the promotor company—Delhi Cloth and General Mills Ltd. —in the form of 11,20,000 equity shares. On these shares, five rupees per share have been paid. Of the remaining 16,79,910 equity shares and 40,000 redeemable cumulative preference shares, 1,54,000 equity



shares have been reserved for firm allotment to the public financial institutions, namely IDBI, ICICI, LIC, IFCI and UTI and 1,53,910 equity shares for allotment to the employees of the new company and those of the promotor enterprise.

The subscription list for the public issue, which will open on May 29, will be closed on June 7 or earlier, if the issue is fully subscribed, but not before May 31.

The project is estimated to cost nearly Rs 7.69 crores, with a foreign exchange component of Rs 1.53 crores. Financial institutions are expected to supply loans to the extent to Rs 4.49 crores. Civil works on the project have already commenced. The erection of equipment is expected to start in the fourth quarter of the current calendar year and is planned to be completed early in 1974. The project is likely to go on stream in the second quarter of 1974.

Collaboration for the project has been arranged from Chemtex Fibres Inc., USA, and Chemtex Engineering of India Ltd. Bombay. The US concern is to do the basic engineering of the plant. The detailed work is to be done in India by the Bombay concern. Technical know-how is to be supplied by Unitika Ltd. Japan, through Chemtex Fibres Inc. USA. The agreements with collaborators do not restrict product exports by the company.

The main raw material for the production of nylon tyre cord is caprolactam. It is to be made available to the company by the Gujarat State Fertiliser Corporation when it starts producing it later this year.

Owing to the anticipated rapid increase in the manufacture of tyres in the country to about six million numbers in 1974 and further to 13 million numbers by 1979, the company is not likely to experience any difficulty in marketing its product. An application has been made by the company to the government for a licence to convert a part of the nylon cord into fabrics used in the manufacture of tyres. The company hopes to declare the maiden dividend in about two years after the commissioning of the plant. The present Board of Directors of the company is headed by Dr Bharat Ram.

New Registrations

In the Southern Region, comprising of the states of Tamil Nadu, Andhra Pradesh, Mysore, Kerala and the union territory of Pondicherry, the company formation during the quarter ended March 31, 1973 showed an upward trend as 138 new companies (16 public and 122 private, including one guarantee company) were registered as against 124 (10 public and 114 Private) registered during the preceding quarter. The aggregate of authorised Capital with which these 138 Companies were registered being Rs 2183.36 lakhs was, however, lesser than that of the companies registered in the preceding quarter. Of these new registrations, 15 are giant sized companies each having an authorised capital of Rs 50 lakhs and above and two are big-sized companies with an authorised capital of Rs 25 lakhs each. Eleven companies with an aggregate paid up capital of Rs 8.28 lakhs went into liquidation and 10 companies with an aggregate paid up capital of Rs 1.83 lakhs were struck off the register. One public company and one private company transferred their registered office from the state of Tamil Nadu to the states of Mysore and Andhra Pradesh respectively.

Nine Public companies with a total authorised capital of Rs. 475 lakhs and 44 private companies inclusive of a guarantee company with a total authorised capital of Rs 218.39 lakhs were registered in this state during this quarter. Of these six are giant-sized companies having authorised capital of Rs 50 lakhs each. This includes state government company, M/s. Anna Transport Corporation Ltd. with an authorised capital of Rs 1 crore. Eight companies with an aggregate paid up capital of Rs 4.23 lakhs went into liquidation and 7 companies with aggregate paid up capital of Rs 1.76 lakhs were struck off under Companies Act.

Twenty private companies with a total authorised capital of Rs 130.00 lakhs were registered in Andhra Pradesh during this quarter. No public company was registered during the quarter. One company with a paid up capital of Rs 0.05 lakhs went into liquidation during the quarter. Three companies with a paid up capital of Rs 0.07 lakhs were struck off. Four public companies with a total authorised capital of Rs 310.00 lakhs and 36 private combanies with a total authorised capital of Rs 426 lakhs were registered in Mysore state during this quarter. Two Private and three public companies registered are giant/big size companies. This includes one state government company by name Karnatak State Forest Industries Corporation Ltd with an authorised capital of Rs 200 lakhs, one private company by name Dandeli Ferro Aloys Private Limited with an authorised capital of Rs 100 lakhs and another one named Steyr India Limited with an authorised capital of Rs 2 crores in the private sector. Three public companies with a total authorised capital of Rs 450 lakhs and 20 private companies with a total authorised Capital of Rs 172.97 lakhs were registered in Kerala during this quarter. Four public companies were giant-sized with an authorised capital of Rs 50 lakhs and above each. This includes one state government company, Kerala State Industrial enterprises Ltd with an authorised capital of Rs 1 crore and two companies in the private sector by name M/s Kerala Agro Machinery Corporation Ltd. with an authorised Capital of Rs 2 crores and M/s Meat Products of India Ltd with an authorised capital of Rs 2 crores. One company with a paid up capital of Rs 4 lakhs went into liquidation. No public company was registered in Pondicherry during this quarter. Two private companies with total authorised capital of Rs 1 lakh were registered during this quarter.

Dividends

(Per eent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher dividend			
Shreeniwas Cotton Mills	December 31, 1972	10.0	8.0
Karunamibikai Mills	December 31, 1972	10.0	Nil
Same dividend			
Ganges Rope	December 31, 1972	7.5	7.5
John Fowler (India)	December 31, 1972	15.0	15.0
Triveni Engineering	October 31, 1972	15.0	15.0
Gold Mohur	December 31, 1972	12.0	12.0
Finlay Millls	December 31, 1972	12.0	12.0
Modella Woollens	December 31, 1972	12.5*	12.5
Wandleside National Conductors	December 31, 1972	Nil	Nil
United Flour Mills	November 30, 1972	6.0	6 0
Braithwaite and Co. (India)	March 31, 1972	Nil	Nil
Reduced Divinded			
Rane Brake Linings	December 31, 1972	16.0	18.0
Straw Products	December 31, 1972	10.0*	13.0
Southern Asbestos	December 31, 1972	12.0*	17.5

*On enlarged capital

DUNLOP INDIA LIMITED

Chairman, Mr. R. G. S. Nairn's Review

The following is the address by the Chairman, Mr. R. G. S. Nairn at the 47th Annual General Meeting held on May 14, 1973, at Calcutta.

I have pleasure in welcoming you to the 47th Annual General Meeting of the Company.

As the Directors' Report and Accounts for the year ended 31st December 1972, have been in your hands for some time, I should like, with your permission, to take them as read.

The Year's Trading

Sales of Dunlop automotive tyres and tubes were lower than in 1971 because of serious production losses suffered at the Ambattur factory due to industrial unrest. This intensified the shortage of truck tyres in particular and a major part of our marketing effort during 1972 was directed at ensuring equitable distribution. Special steps had to be taken to ensure essential supplies for Defence and State Transport undertakings.

Sales of our Industrial Products exceeded those in the previous year, but the demand|supply gap in some products, particularly conveyor belting, widened further due to limitations in our manufacturing capacity.

Exports

The bulk of our export earnings come from nylon truck tyres manufactured at our Ambattur factory. Special cycle tyres for the U.S.A. market are also manufactured at Ambattur. Extraordinary efforts had to be made on the export front to make up for the production losses at Ambattur. I am, therefore, particularly glad to inform you that we continued to be the largest exporter in the Tyre Industry in 1972 earning a total of Rs 3.22 crores. I feel I should mention here that this export achievement would not have been possible without the unstinting help we continued to receive from our associates in the U.K. through whom we enjoy the benefits of their world-wide organisation.

Our increasing expertise in international marketing also enabled us, as an Export House, to export a variety of goods made by small-scale manufacturers.

Production

Production of automotive tyres and tubes at our Sahaganj factory in 1972 was marginally higher than in 1971 but the problems of power cuts and absenteeism continued.

At our Ambattur factory, we experienced production losses due to lock-outs on two occasions resulting from industrial unrest. A total of 84 working days were lost during the year.

Production of our Industrial Products at our Sahaganj factory was satisfactory.

Personnel

At the Sahaganj factory, which worked without interruption during the year, a tripartite long-term agreement giving substantial benefits to the employees was signed with the recognised unions on 2nd May, 1972.

A tripartite long-term agreement was also signed at the Ambattur factory on 17th May, 1972. This, unfortunately, was only after an interruption of work for 43 working days due to a stay-in strike and unruly activities by a section of the employees, followed by a lock-out. Work was again interrupted at this factory from 13th November, 1972, for similar reasons, resulting in the loss of 64 working days of which 41 days were lost during the year under review. The factory reopened from 29th January, 1973, and since then the labour situation at the factory has remained satisfactory.

In the Company's Calcutta offices an unrecognised splinter union, in its bid to obtain recognition, created industrial unrest during the year. Following a strike on 1st November, 1972, and violent activities by the supporters of this union, the Company was compelled to declare a lock-out from 2nd November, 1972. The offices were reopened from 18th December, 1972, and since then the labour situation at the Company's offices in Calcutta has been normal.

It was unfortunate that your Company, in spite of its progressive labour policies, experienced industrial unrest during 1972 mainly due to inter-union and intra-union rivalries.

I sincerely hope that there will be no recurrence of the problems we experienced last year and that all employees will put in their best efforts in these difficult times to maximise output. Industry has to meet its social obligations. Similarly, labour should also appreciate their social responsibilities to maximise production and help to fully utilise scarce manufacturing resources.

Profit and Loss Account

The inflationary trend in costs of raw materials continued during 1972 and personnel costs also increased substantially. One of our problems is the freedom on the part of most of our raw material suppliers to increase their prices without obtaining the Government approval that the Tyre Industry requires.

The last price increase that was agreed by Government for automotive tyres and tubes was in November, 1968. Since 1968, the cost of production of automotive tyres and tubes has increased by approximately 11% up to the end of 1972 for your Company. In addition, the last Central Government Budget will have the effect, in a full year, of further increasing raw material costs by as much as Rs. 1.5 crores. A request for a price increase made early in 1971 by the Tyre Industry was referred to the Bureau of Industrial Costs and Prices, and a decision is still awaited.

Following the completion

of our expansion programme at Ambattur, your Company's production capacity was increased substantially and personnel and service facilities were geared to meet this increase. As a result of industrial unrest at the Ambattur factory this extra capacity was not utilised and the additional overhead costs, to which your Company was already committed, had to be absorbed during the year.

These factors have led to the very sharp decline in profit before tax for the year.

After providing for taxation, the balance of profit for 1972 was insufficient to maintain the rate of dividend which was paid on the Company's Ordinary shares for each of the past three years. After giving full consideration to the unusual circumstances affecting the trading results, and also bearing in mind the substantial earnings retained during past years, amounting to Rs. 4.44 crores in the last 3 years alone, your Directors have transferred Rs 72.36 lakhs from General Reserve to make up the deficit.

Manufacturing Capacity

I have already mentioned the increasing truck tyre shortage in the market during 1972. From February this year an acute shortage of power in Tamil Nadu due to a poor monsoon has resulted in a power cut of 75% at our Ambattur factory. We have made every effort to minimise the effect of this power cut by taking emergency measures, including the supply of rubber compound from our Sahaganj facory. Nevertheless, we are losing very large quantities of truck tyres each month. You can well imagine the market situation that is likely to develop in this essential commodity for which there was already a shortage at the beginning of the year.

We hope that supply of normal power will be available in Tamil Nadu from July after the monsoon sets in.

Although the present situation in Tamil Nadu is abnormal, it highlights the need to create adequate capacity for automotive tyres and tubes. Road Transport is an essential part of the infrastructure and a severe shortage of automotive tyres could have major economic implications. No matter how effective the Tyre Companies are in controlling distribution this can at best only alleviate a severe shortage situation marginally. Ultimately, sufficient installed capacity, and production, must be available to ensure adequate supply of an essential product like automotive tyres for the domestic market, with a surplus available to meet the varying and more exacting requirements for export.

Research and Development

Your Company is fully conscious of its responsibility to give increasing emphasis to research and development. It will interest you to know that we employ around 300 scientific and technical personnel of whom about 50% work on development projects. The development aspect of our business is being given greater emphasis at all levels of our management structure. This applies not only to R & D activities in terms of product design, equipment development and materials development, but also in the development of control systems applying the latest computer techniques for which, incidentally, there are export possibilities. I mentioned last year that we are establishing a Research and Development Centre for cycle tyres and tubes. Apart from serving our own needs, this will enable us to sell know-how to companies in the Dunlop Group world-wide. We plan to complete this project during 1973-74.

At the same time, I should give you a perspective of the scale of our R & D operation in relation to the total R & D activity of the major international tyre companies. Even if we spend a crore of rupees per annum during the next few years on R & D, it will be insignificant in comparison with the expenditure by the international companies. For example, the Dunlop Pirelli research organisation spends well over Rs 30 crores per annum. And to this amount must be added the enormous expenditure by international raw materials suppliers, equipment suppliers, vehicle manufacturers and allied industries. Regardless of the competence of our local R.& D team, the comparable expenditures just do not permit us to achieve results which would ensure competitiveness at the international level.

It is for this reason that we have continually urged the Government to renew our Technical Aid Agreement with Dunlop U.K., which was terminated in end-1969. We have just received a letter from Government informing us of the terms on which they are prepared to agree to the renewal of this Agreement. These are at an extremely low level by international standards for the type of know-how that we seek to facilitate development of our own indigenous R & D activities. We have referred the matter to our collaborators and are awaiting their comments.

Future Prospects

We have had set-backs last year, and 1973 is not likely to be a satisfactory year because of the production losses that are inevitable at the Ambattur faetory due to the present drastic power cut. However, I feel that these set-backs are short term and I, therefore view the future with optimism.

After a full enquiry by the Monopolies and Restrictive Trade Practices Commission, and based on its recommendations, the Government has issued a letter of intent to us against our proposals for the manufacture of steel cord and textile reinforced conveyor belting and fan and V-belts at Goa. We are now closely examining the details of this project. One of the clauses in the letter of intent asks us to purchase India Tyre and Rubber Company (India) Private Limited, and this is also being examined.

To meet the growing market shortage, we submitted a proposal to Government to increase capacity at our Ambattur factory by 200,000 truck tyres and tubes. I am pleased to be able to inform you that we have just received a letter of intent for this project.

A letter of intent from the Government for the manufacture of 50,000 dozen Tennis Balls is being progressed. These will be manufactured at the Sahaganj factory.

We have spent large sums of money on re-equipment at the Sahaganj factory and our future plans involve modernisation wherever necessary to meet future market demands.

On the opposite side of the coin, there will be the increasing problem of maintaining profitability in the face of continually rising costs. Although we are doing everything possible to improve efficiency and control expenses in every aspect of your Company's operations, the full impact of these rising costs can be offset only partially by such measures.

Your Company has always believed in allocating large funds for development, both in terms of man-power resources, and plant and equipment. To this must be added our increasing emphasis on R & D. This development expenditure is possible only if adequate surplus is generated. Therefore, I hope that the request to Government to permit a reasonable price increase for automotive tyres and tubes will be considered favourably in the very near future.

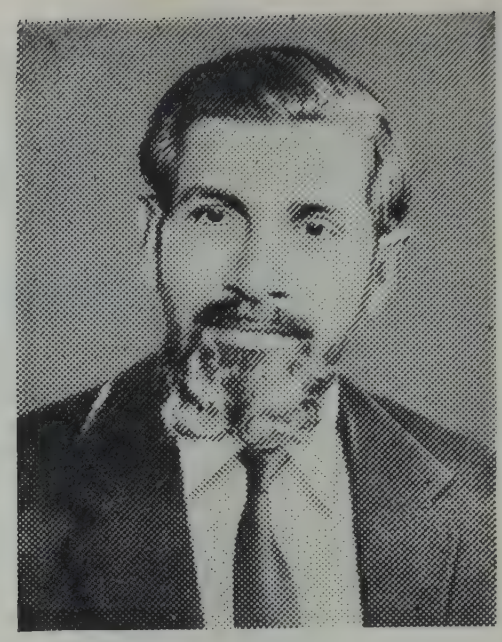
In conclusion, I would like to thank all our employees for the efforts they are making to enable a speedy recovery from our present temporary set-backs.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

Coromandel Fertilisers' Chairman's Speech

92% capacity utilisation, 6% increase in production, maiden dividend . . . highlights of 1972

Approval of expansion plan expected; power position causing concern.



Dr. Bharat Ram

Speaking at the 11th Annual General Meeting of Coromandel Fertilisers Limited held on May 11th 1973, the Chairman, Dr. Bharat Ram, said that despite numerous constraints the company's performance in 1972 was excellent. He also announced that Government's approval of the expansion plans is expected soon.

The following is the text of the speech.

Ladies and Gentlemen:

It gives me particular pleasure in welcoming you to this Meeting. The report of the Directors and the reflection of the year's efforts in the Statement of Accounts tells you a story of steady endeavour and sound management. You will observe a sense of movement. I am not going to count merely on your company's achievements; for it would be a statistical chronicle. But what you see is evidence of the company's emergence from a plateau of potential strength to a new high of sound promise and performance. Despite numerous constraints — which were the direct results of external factors—the results have been excellent. Your company's product range has acquired popularity over the entire country, from Tamil Nadu in the South to the northern wheat-bowl of Punjab; from developing Orissan fields to the black cotton soils of Khandesh.

Increased Production

Production shows an increase of 6% over the past year, and it is a tribute to the ingenuity of the men at the plant that they achieved an average capacity utilisation of 92% as against 85% achieved in 1971.

Excellent Marketing

Over the past two years your company has brought refinement of techniques in its sales policy and strategy. Despite a prolonged dry spell and its consequences, with the active help of the sales agents, nearly 75% of the product was sold in the marketing zone comprising of Andhra Pradesh, Madhya Pradesh and Orissa. I would like to place on record the fine work, keen observation and quick response to changing situations that the company's marketing department displayed in achieving a high sales volume.

Expansion Plan

As I said, your company has had a good year; a modest dividend has been recommended by the directors and we hope to improve production and distribution skills even more.

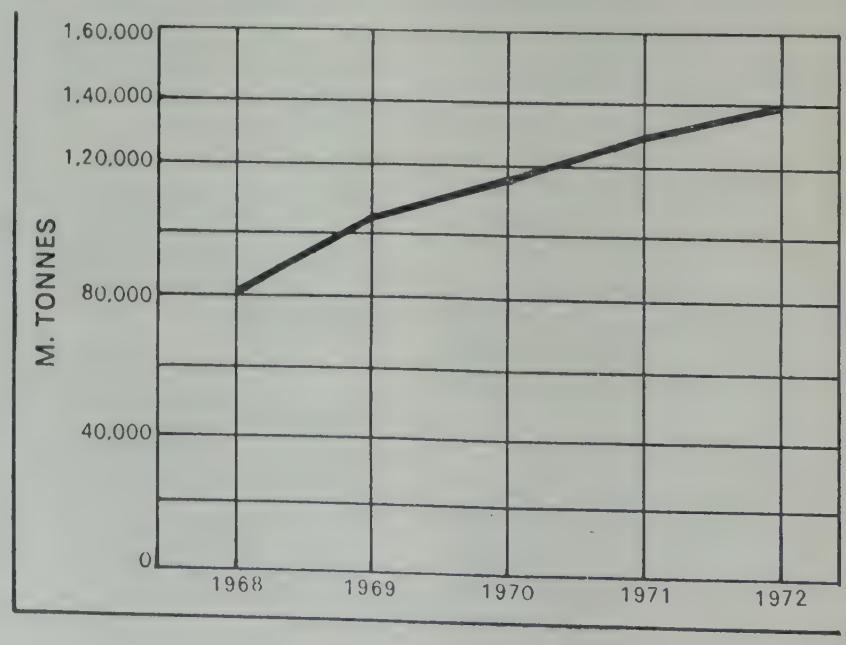
I am also pleased to say that the company's proposal for expansion is in an advanced stage of consideration, and from reports received, Government approval can be expected soon. Your company hopes to advance this expansion as fast as it can, hoping that unforeseen restraints, power cuts and other hurdles do not upset the bases on which the expansion has been planned.

Rising Costs

Your company has had its share of anxieties. Problems have arisen partly flowing from nature and in part resulting from the action of external forces and world trends. The escalation in costs has been unremitting — almost all cost

FIVE YEARS' PERFORMANCE

PRODUCTION IN M. TONNES OF PLANT NUTRIENTS



factors like raw materials, freight and power have shown an upward trend. Wagon availability continues to cause anxiety and often leads to additional costs. The Essential Commodities Act Order was clamped by the authorities upon the fertiliser industry. We hope this is temporary and will soon be withdrawn.

Concern over Power Cuts

Owing to the drastic power cut and civic disturbances, your company has lost considerable production already in January and February this year, and despite the co-operation of the local power authorities, the situation continues to be gloomy and causes concern. Your company is taking all possible steps to remedy the situation caused by the power cut to the extent possible. However, unless normal power supply is restored very soon this cannot but have serious repercussions on the profitability position this year.

Many of our economic arrangements, I submit, are the result of misplaced emphasis. We are, I fear, to use the expression of a distinguished economist, "fast becoming prisoners of words". We have debated long on size, growth, redistributive justice and similar expressions. I would rather plead for wise deployment of our limited resources and use every resource to maximise production. It is better to win the war on the production front rather than any number of battles on the wordy front. But I must admit that despite the restraints, often avoidable, Government and its agencies have given your company generous understanding and support in its efforts for which we are grateful to them. We are often tempted to find excuses for our shortcomings and inadequate performance in the operation of unpredictable forces of Nature; we do have droughts and cyclones and floods. But does this explain convincingly the poor performance of thermal power units which are free from Nature's vagaries?

Everyone suggests that the agricultural base must be strong and self-reliant and merits priority, yet they fail to treat an important input like fertiliser as worthy of special treatment. I feel that the State Government should boldly exempt fertiliser units from power cuts not only in the interest of maximising production of a very critical article but also to spare the expensive and sophisticated plant and equipment from severe thermal shocks which erratic power supply can cause.

High Yielding Varieties and Improved Methods

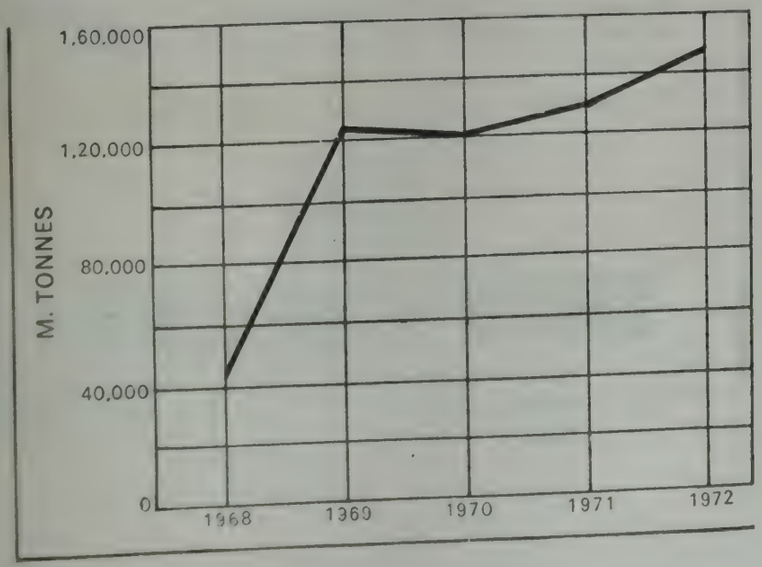
I have often felt that some of our priorities are distorted. In our quest for greater food production, which has unquestionable primacy, and is at the very root of development enriching the lives of our millions, in agriculture particularly, we seem to forget the need for an integrated approach. High yielding varieties and improved methods of cultivation are important. But beyond this there are more fundamental issues at stake. Importance has rightly been given to ecology, particularly as agricultural operations have a vital bearing on the ecosystem. We often forget that soil, as Sir Joseph Hutchinson, the first Coromandel Lecturer said 'is a living thing'. We have for long neglected our soils and water management. We are now engaged in one of the greatest wars—war on hunger, or as one of our young scientists put it. 'the conquest of avoidable hunger'. To succeed in this important effort, we need participation by each and every one of us in the community and this is possible when "the door that leads out of the prison of routinised, sterile, preconceived notions" is opened and there is an awareness of the magnitude of the problem itself. We must launch a massive educational programme, where not only the apparatus of government, but technologists, educators, extension workers, salesmen and agronomists—in fine, the entire community must be informed educated and persuaded to act. To make action-programmes effective and meaningful, we must transfer and communicate to all the precious knowledge now available to us. The Coromandel Lecturer this year, Dr. M.S. Swaminathan, referred to this process of living communication, as a programme of "techniracy", where technical skills are communicated to illiterate peasantry and an integrated approach to the problem of agriculture is employed. We can help in this process by taking an active role in areas like agricultural education, action programme at the research and village level.

It is ironic that only severe droughts or wars awaken us to high creative activity. The success of the green revolution has been possible due to "genetic and agronomic engineering" in areas where irrigation and water supply is adequate along with fertiliser and pesticides. But in developing countries there are vast areas which depend on the uncertainties of monsoon and where the farmer's life is one of unredeemed gloom, helplessness and hopelessness. This is something which will need urgent and informed attention at all levels.

Farm Demonstrations

Your company has kept up its interest in the areas of training/demonstrations and communication at farm level. As you are aware, the company made a modest beginning by endowing scholarships at agricultural universities; the severe crop losses from uncertain monsoons spotlighted

FIVE YEARS' PERFORMANCE
SALES IN M. TONNES OF PLANT NUTRIENTS



the need for stimulting research and techniques for fertiliser usage under semi-arid, rainfed conditions and, towards this end, your company, in co-operation with Indian Agricultural Research Institute, endowed a fellowship for dry land farming research. It is intended to continue such efforts for promoting research and agricultural education.

The Coromandel Lecture has acquired a prominent place in the activities of your company. This year the lecture was delivered by an outstanding scientist, to whom I referred earlier, on a subject of urgent importance. The husbandry of finite resources leading to a better life for the millions in the developing countries was the central point of his lecture "Agriculture on Spaceship Earth". The company also distributed the Borlaug Award, which was instituted by your company for outstanding research in agriculture, to five young Indian scientists for their interdisciplinary co-operation and contribution to advancing the striking phenomenon of a successful wheat programme in India. Your company believes that such a symbiotic relationship between industry and research centres will yield good results to advance national interest.

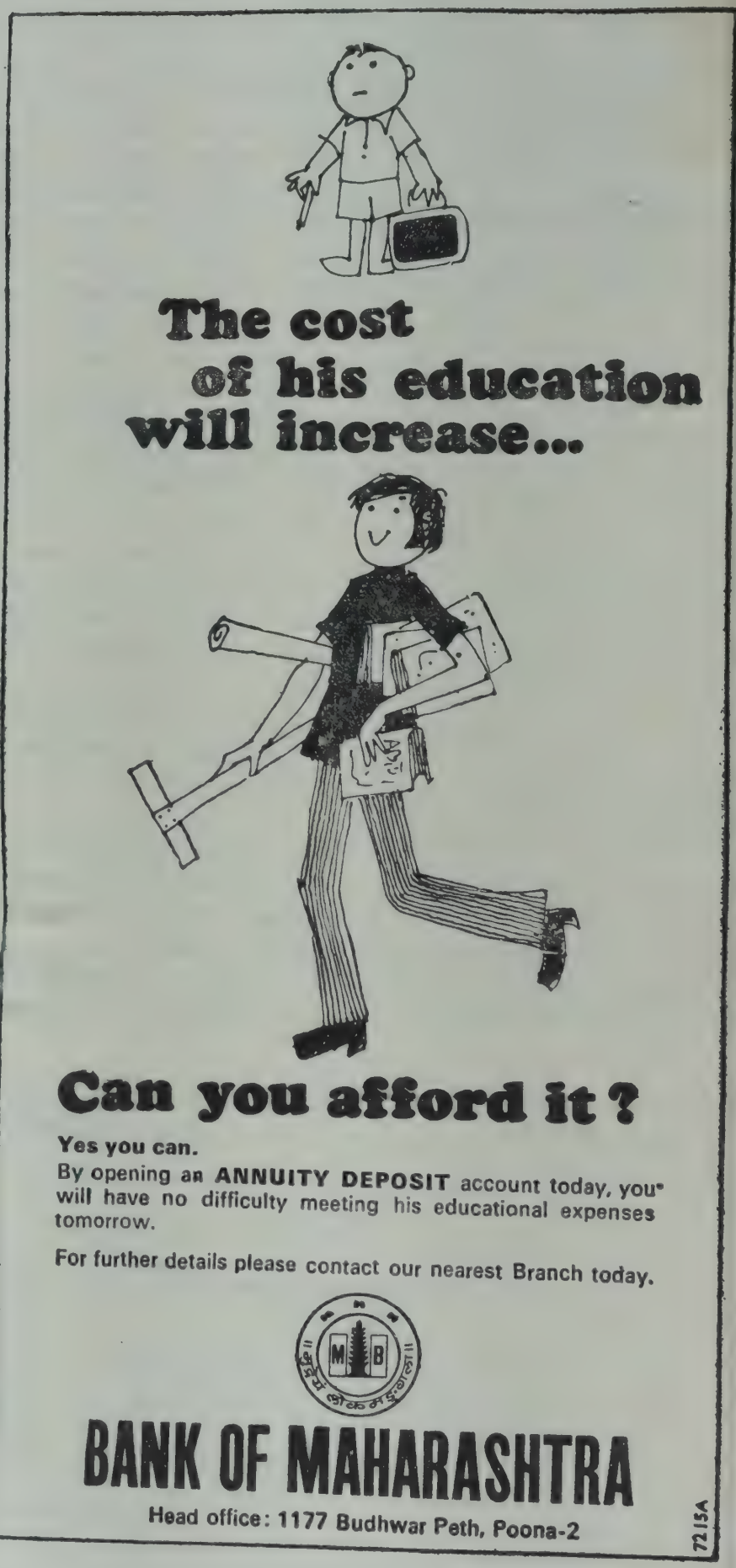
Changes on Board

During the year your company said farewell to Mr. T.G. Hughes, Mr. D.I. Meikle and Mr. M.N. Kale. Your company was greatly benefited by their wise counsel and active participation in its activities and wishes to acknowledge their handsome contribution. In particular Mr. T.G. Hughes, who retired from his parent company after a very distinguished record of service, participated actively in the shaping of your company and helping in its growth. The management also welcomed Mr. A.W. Horton, Mr. A.W. Aspen and Mr. T.N. Gidwani on the Board of your company during the year. Needless to say that their association will be a source of strength to the company.

Employee Co-operation

Before I conclude, I would like to pay my tribute on your behalf to all the employees for their ungrudging co-operation and to the officers who have displayed a high sense of duty in performing their role. I would also like to express on your behalf our sincere appreciation to the positive concern and interest evinced by the promoter companies in your company's progress and their unfailing support and counsel. To the financial institutions associated with us, we owe our thanks for their sense of participation. I would also hope and pray that our country will have a normal monsoon and that the months to come will bring prosperity to our farmers and the economy will move forward.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.



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RECORDS AND STATISTICS

Newspapers in 1971

MORE NEWSPAPERS came into being in 1971 than in the previous years. There were 12,218 papers at the end of 1971, that is, 1,182 or 10.7 per cent more than in 1970. The increase of 126 or 18.1 per cent in the number of dailies which totalled 821, was even more remarkable. Taking into account available circulation data for the same set of newspapers for both 1970 and 1971, the circulation increase amounts to 3.4 per cent. In a period of five years, the total number of newspapers had risen by 3,578 or 41.4 per cent.

This was stated in the 16th Annual Report of the Registrar of Newspapers for India presented to Parliament on May 3, 1973. The report related to the calender year 1971.

As per data available, 6,633 newspapers commanded a total circulation of 296.19 lakhs in 1971 compared to 6,483 with a circulation of 293.03 lakhs in 1970. Circulation had improved from 252.36 lakhs by 17.4 per cent in five years.

With the growth of the Press, the number of newspapers interest owned by common ownership units in the country also went up from 194 for 57 units in 1966 to 285 for 98 units in 1971. However, their share of circulation increased only marginally from 24.6 per cent in 1966 to 26.3 per cent in 1971.

The Press in India in 1971 consisted of 821 dailies, 68 tri-bi-weeklies, and 3,608 weeklies and 7,721 other periodicals compared to 695 dailies, 60 tri-bi-weeklies, 3,162 weeklies and 7,119 other periodicals in 1970.

Among the states, Maharashtra remained the largest publisher of newspapers—1,845—at the end of 1971, followed by Uttar Pradesh (1,682). The largest increase in the number of newspapers was recorded in Uttar Pradesh (209), followed by Maharashtra (139). The largest number of dailies (126) was published from Uttar Pradesh, followed by Maharashtra (120), Until 1970 Maharashtra was the largest publisher of dailies.

1,422 new newspapers came out during the year as compared to 1,324 in 1970. 230 newspapers ceased publication as against 445 in 1970.

As many as 3,964 newspapers, 32.4 per cent of the total number, were published from the four metropolitan cities of Delhi, Calcutta, Bombay and Madras. Towns with a population of below one lakh had 3,201 newspapers or 26.2 per cent of the total and 3,380 more (27.7 per cent) were from cities witn a population of one lakh and above (excluding state capitals and metropolitan cities). The state capitals (excluding the metropolitan cities) had 1,673 papers or 13.7 per cent of the total number.

Cities with a population of

Indian Press at a Glance—1971

	1971	1970
Number of newspapers		
Dailies	821	995
Tri-weeklies and bi-weeklies	68	60
Weeklies	3,608	3,162
Others	7,721	7,119
	12,218	11,036
Non-included category papers	2,773	2,661
	14,991	13,697
Circulation* ('000)		
Dailies	90,96	82,99
Tri-weeklies and bi-weeklies	1,04	1,23
Weeklies	80,65	64,24
Others	1,23,54	1,24,57
Total	2,96,19	2,93,03
Percentage increase in circulation (of common papers with reference to previous year)		
Dailies	+8.3	+7.5
All Papers	+3.4	+6.4

*Figures refer to the number of papers for which circulation data were available.

Circulation Pattern—1971

(In terms of percentages of total)

Circulation ranges		Number of newspapers*			Circulation of newspapers		
		Dailies†	Periodicals	Total	Dailies	Periodicals	Total
Big	Above one lakh	3.8	0.4	0.7	35.1	18.0	23.3
	50,001-1,000,000	4.7	0.5	0.8	20.1	9.7	12.9
Medium	15,001-5050,000	15.3	2.2	3.4	25.5	17.5	20.0
Small	5,001-15,000	23.6	8.3	9.6	13.1	20.6	18.3
	upto 5,000	52.6	88.6	85.5	6.3	34.2	25.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0

*Figures refer to number of papers for which circulation data were available †Including tri-weeklies and bi-weeklies.

one lakh and above had 333 dailies or 39.9 per cent out of a total of 889 (including tri- and bi-weeklies) while 199 dailies (22.4 per cent) were from the metropolitan cities. Cities with a population of less than one lakh had 183 dailies (20.6 per cent). Smaller cities accounted for as many as 1,312 or 36.4 per cent of all weeklies.

The total circulation commanded was 296.19 lakhs compared to 293.03 lakhs in 1970. There were 100 newspapers in the top circulation bracket (above 50,000 copies), including 44 in the over one lakh circulation category. As many as 22 dailies had a circulation of above one lakh compared to 19 in 1970. Small newspapers, numbering 6,310 or 95.1 per cent of the 6,633 for which data were available, together accounted for as much as 43.7 per cent of the total circulation while 100 big newspapers together accounted for 36.3 per cent. Medium newspapers numbering 223 had a 20.0 per cent share in the total circulation.

Big dailies numbering only 49 claimed more than half (55.1 per cent) of the total circulation of all dailies. Eighty-eight medium dailies shared one-fourth (25.4 per cent) while 439 small dailies had a 19.5 per cent share.

The circulation of English language papers went down from 71.73 lakhs in 1970 to 70.03 lakhs in 1971 while that of Hindi papers advanced by nearly two lakhs to 60.43 lakhs. The circulation of Tamil, Malayalam, Marathi and Bengali papers also went up.

In the total circulation, Maharashtra had the largest share (62.9 lakhs), followed by Tamil Nadu (51.6 lakhs), Delhi (36.7 lakhs), Kerala (27.2 lakhs), West Bengal (26.8 lakhs) and Uttar Pradesh (23.5 lakhs).

Newspapers published from the four metropolitan cities accounted for slightly more than half (50.4 per cent) of the circulation of all newspapers and 42.0 per cent of the circulation of all dailies. The state capitals and cities with a population of one lakh and above (excluding metropolitan cities) accounted for 12.6 per-cent and 23.3 per cent, respectively, of the total circulation.

Towns with population of less than one lakh accounted for 13.6 per cent of the total circulation and 8.1 per cent of the daily circulation. In the circulation of daily newspapers, state capitals (excluding metropolitan cities) and other cities with a population of one lakhs

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and above accounted for 17.5 per cent and 32.4 per cent, respectively.

The highest circulation attained by a daily newspaper in 1971 (for a single edition paper) was 3,08,316 *Ananda Bazar Patrika* (Bengali), Calcutta compared to 2,48,547 in 1970 for the same paper. The highest circulation attained by a periodical in 1971 was 3,74,373 by *Kumudam* (Tamil), Madras, compared to 3,48,628 for the same paper in 1970. Among multi-edition dailies the highest circulation of 4,62,009 was claimed by the seven-edition *Indian Express*.

During 1971 the circulation claims of 750 newspapers in 87 different publication centres spread over 11 states and union territories were investigated. The checks revealed exaggerated circulation claims of the order of 11.91 lakh copies per publishing day and resulted in a national foreign exchange saving of Rs. 78.95 lakhs. Circulation checks so far have brought about a total foreign exchange saving of Rs 243.4 lakhs.

Ownership Pattenrn—1971

	1971	1970
Ownership pattern		
Individuals	7,559	6,744
Societies	2,262	2,084
Firms and partnerships	732	658
Joint stock companies	537	508
Government (central and states)	422	397
Trusts, co-operatives etc.	706	645
Common ownership		
Number of units	98	72
Number of dailies under common ownerships†	217	182
Circulation of dailies under common ownerships (lakhs)	67.94	60.69
Percentage to total circulation of all dailies	73.8	72.1
Language with the largest number of papers: Hindi	(3,116 newspapers)	
City with the largest number of papers: Delhi	(1,341 newspapers).	

†Including tri-weeklies and biweeklies.

Language-wise Break-up—1971
(Daily papers)

Language	Number	Circulation† ('000)
English	78	22,19
Hindi	222	15,16
Malayalam	60	11,11
Tamil	97	9,08
Marathi	77	9,10
Gujarati	43	6,83
Bengali	15	5,97
Urdu	102	3,76
Kannada	39	3,14
Telugu	17	2,37
Oriya	7	90
Punjabi	18	73
Assamese	2	25*
Sindhi	4	21
Sanskrit	1	1
Others (including bilingual and multilinguals	39	40
Total	821	90,96

	1971	1970
Number of languages in which newspapers were published	60	53
Number of languages in which dailies were published in 1971	21	—
(Besides, there were 16 more languages in which newspapers were published in the form of bilingual or multilingual papers)		

†Figures refer to the number of papers for which circulation data were available.

*Information received after compilation of the present report.

Circulation of Newspapers—1971

	1971	1970
Number of dailies with circulation of over a lakh	22	19
Highest circulation for a daily (single edition)	3,08,316	2,48,547
Highest circulation for a daily (multi-edition)	4,62,009	4,48,018
Number of periodicals with circulation over a lakh	22	21
Highest circulation for a periodical	3,74,373	3,48,62

Longevity of Newspapers at the End of 1971

	Over 100 years	Between 50/100 years
Dailies*	7	24
Periodicals	11	175

Oldest existing newspapers

Daily: *Bombay Samachar*, Gujarati, Bombay (started as a weekly in 1822; converted into daily in 1855).

Periodical : *Calcutta Review*, English monthly, Calcutta (1844).

*Including tri-weeklies and bi-weeklies.

The Taxation Laws (Amendment) Bill 1973

THE BILL to check black money and tax evasion, introduced by the union Finance minister, Mr Y.B. Chavan in the Lok Sabha on May 9, seeks to impose a 65 per cent tax on donations to religious and charitable trusts where the identity of the donor is not established. Trusts cannot claim tax exemption if any of their funds are invested in a business concern, including a limited company. But a period of five years will be given to enable them to bring about the necessary changes in investment.

The Taxation Laws (Amendment) Bill makes comprehensive amendments to the Income-Tax Act 1961; Wealth-Tax Act, 1957; Gift Tax Act, 1958; and the Companies (Profits) Surtax Act, 1964. Provisions regarding prosecution for tax offences are being made more stringent. Where the amount of tax sought to be evaded exceeds rupees one lakh or where the offence is repearted, the offender would be liable for rigorous imprisonment up to seven years as well as fine. Abettors in such offences would incur a similar liability. To ensure that persons who are really responsible for tax fraud are brought to book, it is being provided that the return of income in the case of a limited company should be signed by its managing director or by the director or any other person who is mainly in charge of the affairs of the company. This would cover partnerships as well. It would not be possible now to question the validity of returns, assessment, notices or proceedings merely on technical grounds if they are in effect and substance in conformity with the intent and purpose of the law.

Maintenance of account is being made compulsory for all assessees carrying on a profession or business with income or turnover above certain limits. Persons in business or profession with income exceeding Rs 50,000 or receipts or turnover exceeding rupees five lakhs would carry an additional obligation to get their accounts audited. The powers of survey would be increased. Officers of the department would be able to visit the business premises of an assessee for the purpose of counting cash and verifying stocks. To prevent ostentatious expenditure out of undisclosed income, a new provision is being made to enable income-tax authorities to make enquiries and record statements of concerned persons immediately after a function, ceremony or event. Unexplained expenditure would also be taxable as income.

Penalty Provisions

The penalty provisons under the Income-Tax and Wealth-Tax Acts are being changed in accordance with recommendations of the Wanchoo Committee. Instead of being based on the income or wealth concealed, the penalty would now be related to the tax sought to be evaded. Provision is also being made for settlement of cases in regard to a one-time tax evader or unintending defaulter. But cases where concealment or fraud has been established by the income-tax authorities wonld not be entitled to avail of this provision. To check tax avoidance by diversion of income to members of one's family, provisions already exist with regard to transfers without adequate consideration of assets or income to the spouse or a minor child. These provisions would now be extended to make them applicable to similar transfers to a daughter-in-law or to a minor grandchild by a maternal grand-parent. Similarly, salary, commission or fees received by an individual's spouse from a cocnern in which such individuals have substantial interest would be included in the individual's income. Income accruing to a minor by virtue of admission to the benefits of a partnership would be included in the income of the minor's parent having the larger income even if neither of the parents is a partner in that firm. In the field of exemptions and deductions, the concessions available to new industrial undertakings employing displaced persons is bewithdrawn.

The Bill also has provisions for ensuring that tax arrears do not accumulate and are reduced, that exemptions and deductions available under the relevant enactments are rationalised and that the tax administration is streamlined.

ITO's Powers

The powers of the income-tax authorities for searches and seizures are being enhanced. A commissioner will now be able to authorise search and seizure under certain circumstances even in respect of a taxpayer not within his jurisdiction. Inspecting assistant commissioners empowered for the purpose by the Central Board of Direct Taxes will also entitled to authorise searches within their jurisdiction. The power of search will be extended to cover persons, vessels, vehicles and aircraft.

To Check tax evasion by film and other artistes, who generally have a short spell of peak popularity and large incomes, provision is being made to the effect that where any part of the remuneration is paid to such a person in the form of an annuity and the contract for it is approved by the commissioner, the tax in respect of the remuneration shall be charged in the hands of the recipient annully only on the periodical sums payable. This provision will also be applicable to professional sportsman, stage actors and certain other persons in the film industry having a short duration of working life.

Provision pertaining to the collection of arrears of tax are also being tightened. Persons who wilfully attempt to evade payments of tax will now be liable to prosecution.

Payment First

A taxpayer will not be able to file an appeal to the appellate assistant commissioner until he has paid the self assessment tax or the advance tax due. Provision is being made to permit interest on money borrowed for payment of taxes to be allowed as deduction in computing taxable income.

Section 10 of the Income-tax Act is proposed to be amended to grant exemption to the remuneration received by a non-Indian citizen who is either an employee of, or a consultant to, an approved foreign association or institution or a body established solely for philanthropic purposes for services rendered in India for a purpose approved by the central government,

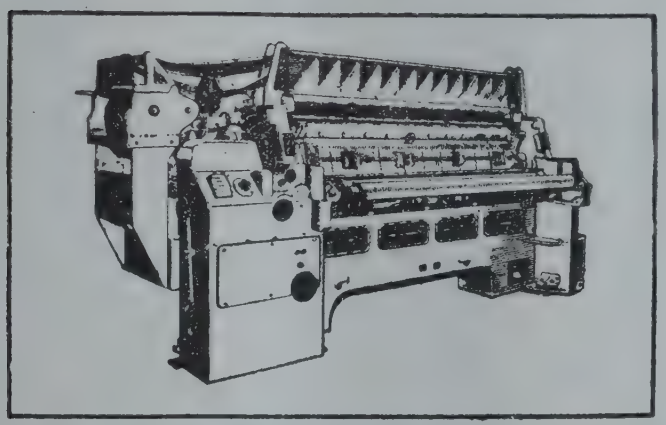
The deduction for purchase of books etc. necessary for the purpose of the duties of a person whose income is chargeable under the head "salaries" is proposed to be raised from Rs 500 to Rs 1,000.

Flexibility in regard to prescribing depreciation of ships in as much as a higher rate of depreciation may be prescribed for the earlier years to enable a quicker write off of the cost of ships is being permitted.

Unexplained expenditure is proposed to be treated as income. It has also been laid down that a *hundi* loan, and interest thereon, which has either been obtained or repaid otherwise than through an account-payee cheque shall be treated as the income of the borrower.

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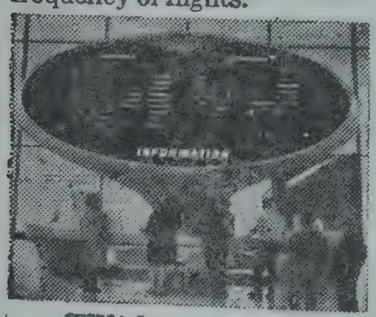
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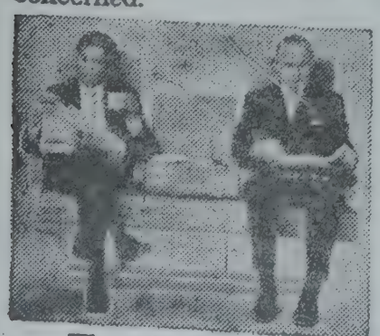
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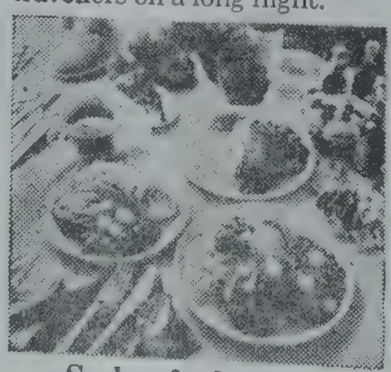
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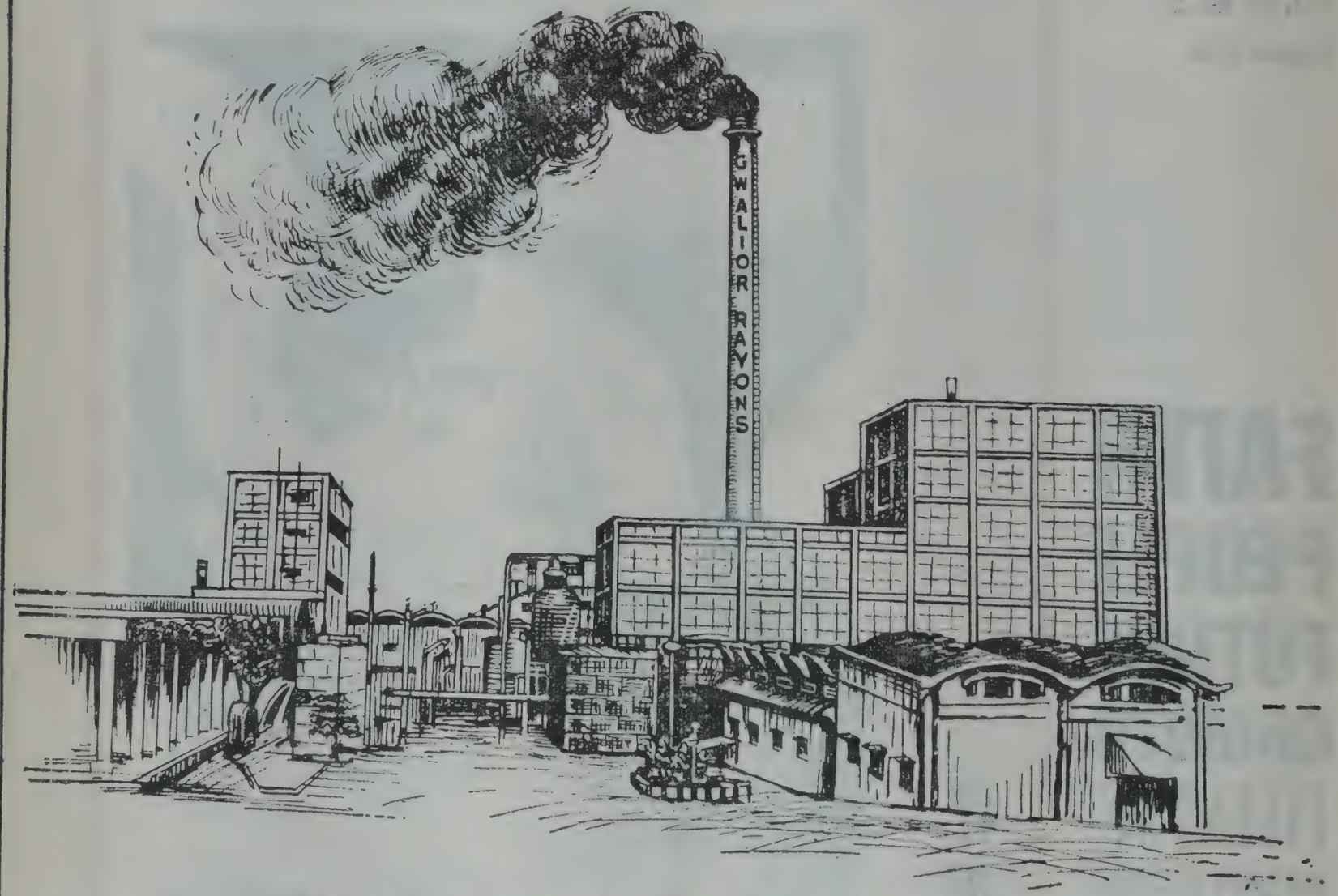
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NAGDA (MP)

The Maruti mess

It was of course to be expected that the motion tabled by leading members of certain opposition parties, seeking to censure the conduct of three ministers for "misleading the House" through their different statements in the Lok Sabha in regard to the location of the 'Maruti' factory in the vicinity of a Defence installation would be defeated in the Lok Sabha by the massive majority commanded by the ruling party. What was surprising, however, was that the debate itself was so inconclusive in the treatment of an issue various aspects of which have been causing concern to the public about the proprieties of conduct in high places in the government. It is true that, in the course of the debate, individually powerful opposition voices were raised demanding an inquiry by a parliamentary committee into the various allegations which have been made from time to time regarding the government's involvement in certain transactions relating to this project, but it should certainly be admitted by spokesmen of the opposition that, both individually and collectively, they miserably failed to document adequately the case for an investigation. Considering the abundance of speculation that there has been about this project through its various stages, it is obvious that those members of the Lok Sabha who took it upon themselves to put the government in the dock, had simply not done enough home work.

In the process the national interest has undoubtedly suffered. For months now the integrity of the government has been questioned, challenged and debated in terms of its acts of commission or omission relating to this project. As a consequence, the prime minister herself has been compelled to defend the government or even herself in a number of public speeches, although she was not present during the debate in the Lok Sabha on Wednesday last week. Rather interestingly, a day earlier, the Speaker had ruled in a different context that a member of the House could not intervene in the discussion of a matter with which he might be personally concerned. Whether the prime minister's absence from the House during the 'Maruti' debate was based on this principle or not, we do not know. But the practical result of her not participating in the debate was that she had placed herself in the position of being blamed for preferring to speak at political meetings rather than in Parliament on matters tending to involve issues of integrity in the functioning of her administration.

The position then boils down to this. Grave disquiet prevails in the country as a result of allegations of favouritism on the part of the central and state governments in their dealings with an industrial project sponsored by a private individual who happens to be a son of the prime minister. These allegations have gathered enough momentum or strength to make the prime minister to want to defend her government and herself at public meetings organised to advance the political interests of her party. The matter has also been coming up in the two Houses of Parliament in some form or the other, but without the air being cleared of suggestions, if not the stench, of scandal. It is possible that the proposal that has come from the opposition benches that a committee of Parliament should investigate the matter may not be the most appropriate way of dealing with this matter, if only for the reason that, with this issue having assumed a political complexion, the members of the ruling party, who would naturally constitute a majority in such a committee, would very likely be inclined to counter the opposition's political approach with a similar approach on their part. In any case a parliamentary committee is certainly not the only way open to the government for acting to reassure public opinion. As a matter of fact, we think it only fair that the prime minister should, at this point of the debate, be free to choose such means or machinery of clearing the government of allegations of impropriety as would satisfy the general body of people in this country whose only interest is to see that Caesar's wife is seen to be above suspicion.

Our country is today facing a critical future. It has to stabilise its shaken food economy. It has to see to it that continuing inflation does not cause economic distress of dimensions which irretrievably undermine social stability or compromise political progress. The challenge it faces externally is perhaps even more formidable. Pakistan is again arming itself to the teeth. The intervention, if not the intrusion, of Iran into Indo-Pakistan politics suggests that we may have to deal with Islamabad more as an element in a west Asian military bloc with ramifications outside that region than as a potentially trustworthy partner in a prospective sub-continental comity.

There is always a feeling in our country that, once danger threatens it, its people are capable of sinking their domestic differences and rising to the occasion in solid unity. It is good that the nation should have this confidence in itself, but it

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does not follow that a capacity to act together normally and without the compulsions of crises is something which a country could lightly dispense with. The nation's leadership therefore owes it to itself and to the electorate, which has placed its trust in it, to so conduct its affairs that it is able to act effectively on behalf of and in the interests of the country not only in an emergency but in the course of day-to-day administration as well. This means in effect that the prime minister cannot afford to continue to dismiss the allegations about the 'Maruti' business through polemical speech-making at wayside public meetings. A democratic political system must surely offer sufficient opportunities to the government of the day to activate procedures of vindication which could deal properly with allegations against or attacks on its integrity.

Foreign companies and their profits

THE SCRUTINY of the working results of foreign companies and foreign-controlled rupee companies in 1969-70 by the Department of Statistics of the Reserve Bank of India (See pages 1065 to 1070) follows the set pattern evolved by it in regard to all balance sheet studies. This procedure of assessing the performance of companies in a pre-determined, well-established and comparable way is useful in the sense that it makes the task of analysing the problems of growth and profitability somewhat easy. But making the same type of stereotyped analysis year after year without reference to the burning problems of the day results in pursuing shadows and ignoring realities. In the case of the foreign companies, the most controversial questions today are (i) government's policy regarding the dilution of foreign equity holdings, (ii) the part played by foreign companies in promoting this country's exports, and (iii) the place of imported technology vis-a-vis indigenous research and development. These questions have not been touched in the study under review. The stress is mostly on the computation of profitability ratios of these companies and the sources and uses of funds for their working operations.

The first conclusion of this study which hits the eye is that in 1969-70, the branches of foreign companies—216 in number—had the lowest profitability in relation to sales at 4.1 per cent while the foreign-controlled rupee companies (407 in number) were the most fortunate with the highest profit-sales ratio at 11.9 per cent (See Table V on page 1070). The RBI analysis, dry as dust does not attempt an explanation of this vast differential in the profitability of the two sets of foreign companies operating in this country.

A break-up of the profits of branches of foreign companies shows that the low profitability of trading companies was chiefly responsible for dampening the yield on sales. Out of 216 companies, only 49 were engaged in trading but their sales at Rs 591 crores constituted nearly two-thirds of total sales. The profitability in this group of companies was about two per cent of sales. On the other hand, among the foreign-controlled rupee companies, the processing and manufacturing companies had the largest share in sales at 86 per cent and the yield on sales was more than 12 per cent. The trading units among foreign-controlled rupee companies had sales at Rs 157 crores which constituted less than seven per cent of the total sales. The yield on sales in their case also was depressingly low at around three per cent. The difference in profitability therefore, emerges from the different trade compositions of these two sets of companies. However, it is not possible to give a definite answer to the question as to why the bulk of processing and manufacturing operations are conducted by foreign companies through the rupee companies while a large proportion of trading operations are completed through branches of foreign companies.

A country-wise comparison of profitability shows that the US companies in both the groups have scored over companies of the UK and other countries. Among the foreign-controlled rupee companies, the profitability of US companies at 18.2 per cent (of sales) was almost double of the profitability of UK companies at 9.5 per cent. The West German and Swiss companies had profitability of 15.4 per cent and 11.2 per cent respectively. In the case of branches of foreign companies, the US companies—though small in number—had put up a better performance. Their profitability at 5.5 per cent (of sales) was a little better than that of the UK companies at 4.1 per cent. Again, it is not possible to arrive at any conclusion as to why the US companies in both the cases scored over the UK companies. Is it due to their better management or late arrival in this country or the selection of industries and trades? Much more detailed analysis needs to be made before arriving at any meaningful conclusion in this regard.

The study has exploded the myth that private limited companies usually score over public limited companies in terms of profitability or dividend distribution. The gross profit as percentage of sales in 1969-70 for public limited companies at 8.6 per cent was significantly higher than the corresponding ratio for private limited companies at 5.9 per cent. Similarly, dividend as percentage of net worth for public limited companies (5.4 per cent) was higher than the corresponding ratio (4.2 per cent) for private limited companies. But in both cases the foreign controlled rupee companies put up much better performance than the Indian controlled rupee companies. Consequently the foreign companies were able to distribute much higher dividends than the Indian companies.

In the case of private limited companies, the 62 foreign controlled rupee companies had the best record of dividend distribution at 21.1 per cent (in relation to paid-up capital). The public companies (i.e. foreign controlled-rupee companies) had distributed dividends in 1969-70 at the rate of 12.6 per cent of paid-up capital. The Indian rupee companies, both public and private, had a much poorer record; their dividends as a percentage of paid-up capital were much lower at 7.7 per cent and 4.8 per cent respectively. Because the performance of the foreign companies was better, their dividend distribution policy was more liberal, which in turn resulted in drainage of foreign exchange through remittances of dividend income. Partly because of this factor, the government has been urging the foreign companies to reduce their share in the equity capital of their companies. While the dilution of the equity capital might assist this country in reducing the burden of remittances, it has an unhealthy effect on the inflow of private foreign investment. But it needs to be conceded that this is not the only element which is taken into account when a foreign company decides to enter our market. Hence the continuous inflow of foreign capital into this country though on a much reduced scale than it could otherwise be.

What is the reason for the com-

paratively low profitability of Indian companies in relation to foreign companies operating in this country? While the results listed above are due to interaction of various forces—historic and otherwise—one factor to which attention must be drawn is that in the Indian companies, the external resources i.e. borrowings tend to be larger than internal resources (i.e. paid-up capital plus reserves plus provisions). Whereas in the case of foreign companies—both rupee companies and branches of foreign companies—the external resources tend to equal the internal resources, the latter tend to be higher than the former in Indian companies by as much as 30 per cent. The increased cost of borrowed capital does weigh heavily on Indian companies though it might also be argued that this additional capital obtained from external sources does play a helpful role in smoothening the working operations of these companies.

While public limited companies (both Indian and foreign) scored over private limited companies in 1969-70 in regard to profitability, they could not maintain the same lead in regard to growth in assets. In this, the private limited companies with growth in gross fixed assets formation at the rate of 8.1 per cent scored over the public limited companies which improved their gross fixed assets by 7.3 per cent. The foreign-controlled rupee companies, however, displayed the same dynamism in growth of assets as in the case of profitability. Here, the public limited companies had a better record than the private limited companies. The upshot of this discussion is that the foreign-controlled rupee companies enjoy unassailable supremacy over others both in regard to growth in assets and profitability.

Procurement and its pains

THE FEARS about the success of the state take-over of wholesale trade in foodgrains—in wheat with the onset of the current rabi marketing season and in rice with the coming in of the next kharif crop—are likely to come out to be true. Up to May 15, the procurement of wheat aggregated to only about 1.9 million tonnes, as against the tentative target of procuring nearly 8.12 million tonnes by June 30. This compares with slightly over 1.8 million tonnes procured during this period last year in which the total procurement marginally exceeded five million tonnes. Thus, while in absolute terms, procurement this year has been slightly better than in the last year, it leaves much to be desired when cognizance is taken of the fact that the target set for the year is nearly three million tonnes more.

The more disconcerting fact however, is that market arrivals up to May 15, around 2.02 million tonnes, were only slightly higher than 1.96 million tonnes during the corresponding period last year. This was in spite of the facts that the total wheat output this year is expected to be around 30 million tonnes—3.5 million tonnes more than last year—and that through the opening of procurement centres right in the villages, the agriculturists are being provided an indirect subsidy in the form of savings in transportation costs.

Notwithstanding the feeling in some circles that in view of the commitment of the government to arrange for the supplies of wheat for the consumer after the take-over of the wholesale trade in this commodity, and practically nil carry-over stock from last year (on April 1, despite some imports having been effected, the buffer stock was only slightly higher than half a million tonnes), the 8.12 million tonnes procurement target is on the low side, it appears that even this target is not likely to be achieved. Opinions seem to be veering round to the procurement by June 30 aggregating to not more than 6.5 million tonnes.

The only state where procurement operations have progressed somewhat satisfactorily is Punjab. Upto May 15, nearly 1.2 million tonnes had been procured in this state, as against the target of procuring by June 30 about 3.4 million tonnes. During the corresponding period last year, wheat procurement in Punjab had been of the order of 971,100 tonnes. The arrivals of wheat in the Punjab markets around 1.22 million tonnes upto May 15, too, have been better than last year's figure of nearly 1.05 million tonnes. The only other state where procurement till now has been higher than last year is Madhya Pradesh, where 125,000 tonnes have been procured, as against 35,600 tonnes during this period last year. Madhya Pradesh is expected to yield to the central pool 400,000 tonnes.

Elsewhere in the wheat-producing areas, both the arrivals as well as procurement have been trailing far behind the last year's figures. Not to speak of the states like Assam, Gujarat, Himachal Pradesh, Jammu and Kashmir, Maharashtra and West Bengal, which are not expected to procure for the centre any large quantities of wheat, considering the acreage under this crop there, the most serious lags in procurement have been in Bihar, Haryana, Rajasthan and Uttar Pradesh. In Haryana, which is expected to provide to the central pool 1.3 million tonnes of wheat this year, as against 818,000 tonnes last year, the procurement till May 15 had been only to the extent of 256,800 tonnes, as against 466,700 tonnes during this period last year. The market arrivals in this state till then had been only 282,000 tonnes, as

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Today with this, the first number, the *Eastern Economist* goes out into the world animated by a sense of its high mission and conscious of the magnitude of its task. It starts its career at a most critical phase of India's destiny. The grave economic problems of the war are upon us and require urgent and immediate attention. But the economic problems that will arise at the end of war will be even more important and momentous and to their solution careful preparation and thought on the widest possible scale are necessary. In this task of preparation, collection of relevant data and presentation of the real issues before the country, the *Eastern Economist* will, it is hoped, find its specia vocation and purpose.

The journal stands for certain definite principles and ideals, both in the internal and international spheres, to which it will hold on in the face of difficulties and trials. Freedom from want and elimination of poverty are ends which should be pursued in India with single-minded devotion. The national minimum of standard of living, however low it may be fixed, requires a high national productivity, and measures should be undertaken to increase rapidly the scale of agricultural, manufacturing and other kinds of production. We should have economic justice for all classes of the population. A more equitable distribution of income should be another important aim of national economic policy in India. Apart from the personal aspect of income distribution, their is the wider and perhaps more essential regional aspect. A more equitable regional distribution of economic activity all over the country is urgently called for.

against 565,700 tonnes last year. In Uttar Pradesh, although the arrivals upto the middle of this month had been around 340,100 tonnes, compared to 305,000 tonnes during the corresponding period last year, the procurement had been only 276,100 tonnes, as against 301,200 tonnes. Uttar Pradesh is anticipated to procure for the centre 1.8 million tonnes this year, compared to 843,000 tonnes last year.

The official explanations for the slow progress of wheat procurement this year may have some weight in them, but they do not wholly explain the situation. Winding up the debate in the Lok Sabha last week on the price situation in the country, the union Finance minister, Mr Y.B. Chavan, cautioned the agriculturists against withholding their produce at the behest of the opposition parties and the erstwhile wholesalers Similar accusations have been made in the past by the union minister for Agriculture, Mr F.A. Ahmed, and his junior colleague, Mr A.P. Shinde. There can be no doubt that some opposition parties, which are ideologically opposed to the ruling party, would like to see that the government fails in its policy of abolishing the wholesale trade in foodgrains. The former wholesalers too might have financed to some extent stocks with the growers. But such activities were expected, in fact, in democracies they cannot be ruled out. There is of course, a feeling in some circles that the role of the wholesale trader and of the opposition parties in dissuading the farmer from marketing his wheat surplus is being exaggerated.

The other reasons being put forth for slow procurement, such as delayed threshing due to non-availability of power and diesel oil and the damage to crop by the heat wave in April, similarly, have only limited relevance. To some extent, the expectation of the farmers that under pressure of circumstances, the government would have to raise the procurement prices of wheat, might have delayed the arrival of the new crop in the market. But after repeated pronouncements by the union minister for Agriculture that having announced the procurement price for the current wheat crop well in time for the producers to take a decision whether to grow this commodity or not, this factor too has lost its significance as an explanation for the unsatisfactory pace of procurement.

The real causes for the procurement operations not being upto expectations as yet are different. The freedom given originally, at the time of deciding on the state take-over of wholesale trade in fooodgrains to retailers and consumers to buy directly from farmers even in villages has been one of the main factors responsible for the slow marketing and procurement of wheat this year. This freedom has been withdrawn in some areas in the case of the retail trade which now is not allowed to make its purchases in the villages but only when wheat arrives in the market. But a good deal of damage has already been done. The original decision had enabled the grower to sell his wheat to retailers and consumers at a substantial premium over the procurement prices. It still enables him to sell it to consumers. If a farmer is able to get better prices in the village itself, he obviously will hesitate to bring his product to the market.

The unimaginative implementation of the policy at the state level is another major cause of faltering procurement. The state governments were expected to fix the private retail prices around the issue prices for the government procured wheat. These prices have been fixed belatedly and that too in the states of Uttar Pradesh, Bihar, Punjab, Haryana, Madhya Pradesh and the union territory of Delhi. They are yet to be fixed in Rajasthan and elsewhere in the wheat-producing areas. The "authorised" retail prices in most cases being much lower than the levels at which the retailers had bought wheat within the permissible holding limits from the growers, they are charry of parting with their stocks. A substantial proportion of these stocks is reported to have already gone underground, creating scarcity in many urban areas.

The third important reason for the slow progress on the procurement front is that the prices of coarse grains in most areas of the country being much higher than wheat prices, the agriculturists are trying to meet their immediate requirements of liquid funds by just disposing of their stocks of coarse grains and marketing only small proportions of their wheat production. This is being done even by small farmers.

This year's wheat output is also being withheld by farmers because of the uncertainties about the kharif crop which is primarily dependent on rain. If monsoons are not delayed, the withheld stocks should flow into the market. But if, on the other hand, the rain god is not benign enough, the conditions will deteriorate.

The scope for multiple prices of wheat under the present policy, despite the fact that the government expects the private retail trade to sell wheat to consumers only around the prices at the ration and fair price shops, is still another important factor hampering market arrivals of the commodity and consequently procurement.

In view of the above, it is imperative that contingency plans should be kept ready by the union government to meet the situation. The imposition of procurement levy, which, by and large, was ruled out earlier because of two main factors— (i) the inability of the government to assess the marketable surpluses of producers; and (ii) the adverse implications of the levy on the future agricultural development—is again being talked of. But this step in the present circumstances has lost its efficacy as apart from the above two considerations, it will now be very difficult to identify the agriculturists who have not marketed their output at all. The step, of course, might succeed to a limited extent in the case of big farmers.

The only feasible solution is to expeditiously arrange for sizeable imports of wheat so that the sad experience of last year is not repeated. The imports of wheat have to be effected not only to the extent of shortfall in the attainment of the procurement target, but also to build up some buffer stock by operating which only the government will be in a position to make its policy a success. Even if the target of procuring 8.12 million tonnes of wheat by June 30 is achieved, most of this procured wheat would have been consumed by the time the lean season starts towards the end of this calendar year. If the kharif crop is not above normal, the difficulties on the food front will accentuate by September itself. If, however, it is good, the imports will be helpful for building up the buffer stock. In the latter case, wheat imports can well be serviced to some extent at least through exports of superior varieties of rice.

With a view to bringing out the stocks which the retail trade had purchased from farmers at prices substantially higher than the procurement prices, the recently announced "authorised" retail prices need to be revised upwards. In some areas of Madhya Pradesh, the trade has been allowed to sell wheat to consumers at Rs 100 per quintal. In Uttar Pradesh, the retail price fixed for the deficit areas is Rs 90 a quintal. One wonders what considerations prevailed with the Delhi administration to fix the "authorised" retail price at only Rs 83 per quintal.

The governmental distribution machinery too needs to be strengthened a great deal. In the interest of opening up employment avenues for the unemployed matriculates and undergraduates, the government might consider allotment of ration and fair price shops to them.

Inter-state variations in poverty

K. N. Prasad

THE APPROACH Paper on the fifth five-year Plan notes that the size of the problem of poverty in India as well as the absolute number of the poor people in the country varies from state to state. Regional balance is going to be one of the prime objectives of this Plan. Generalisations about a country of the size of India are inherently dangerous. There are wide variations in the price level and the occupational structure in the country from region to region. Information on them would be necessary for chalking out of a meaningful policy.[1] The cost of minimum living varies as between the rural and urban areas of the different states. The level of per capita consumer expenditure at which a diet with 2,250 calories is attained differs immensely from state to state. This is partly due to differences in prices and partly due to differences in consumer preferences in the sense that consumers in some states seem to attach a higher priority to food than those in some other states.[2]

social tension

The prevalence of disparities in living standards between the states has become a chief cause of social and political tension in India.[3] Indian economists who had studied this subject earlier[4] admit that there are "rings of poverty" in the country concentrated around "a solid core of destitution". The per capita per month expenditure class Rs 0-11 denotes severe destitution in the rural and the Rs 0-15 class denotes it in the urban areas. The Rs 0-13 class signifies destitution in the rural and the Rs 0-18 class signifies it in the urban areas. The Rs 0-15 class suggests poverty in the rural and the Rs 0-24 class suggests it in the urban areas. The figures belong to the year 1963-64. It is also clear that the incidence of abject poverty is not uniform all over the country. A very large chunk of the abysmally poor is concentrated in a few distinctly discernible regions, where the over-all pace of economic growth in the last couple of decades has not been fast enough to make an appreciable dent on the problem.

Inasmuch as poverty in India is usually attributed to a number of causes, viz., overt or open unemployment (educated unemployment in the urban areas and seasonal unemployment in the rural), under-employment (mainly in agriculture and rural industry) and low resource-base,[5] it would be fruitful to go into these aspects. It would be expedient to realise, like the authors of the second five-year Plan,[6] that "the creation of employment opportunities and reduction in under-employment cannot be approached merely in over-all terms. The problem needs to be broken up in terms of sectors, regions and classes.

chronic unemployment

It would be useful to know in what regions underemployment is most severe[7] Underemployment often varies markedly in different loealities with variations in the intensity of production, the fertiltty of the soil, the types of farming practised. the density of population, and other conditioning factors[8]. Also, the incidence of chronic underemployment spreads widely over the bulk of the population instead of being concentrated among a relatively limited number of workers. Off-season agricultural unemployment is said to be concentrated in the eastern and southern regions[9]. Rural unemployment is much less pronounced in Punjab and Gujarat because their rural economy is more diversified and because they have to encounter a lesser population pressure than Bihar, Kerala and Mysore. Another notable fact is that the number and timing of the peak seasons probably varies from region to region depending on the crop-pattern and the frequency of cropping[10].

So far as urban unemployment (shown by the number of registered applicants) is concerned, it has been pointed out by an analyst[11] that unemployment is higher in those states which have either a higher density of population or which have a higher percentage of working force or which have a higher literacy rate or have a higher urban-rural ratio of population. Evidently, the incidence of unemployment is higher in the urban areas than in the rural on account of the increasing overflow of the rural unemployed poor into the former. Although there are wide variations in unemployment between states, yet in terms of broad regions the south is most afflicted with uneducated unemployment. The eastern states too have serious problems. By contrast, unemplayment of the educated is much more critical in the east than anywhere else.[12]

correlated factors

Relative to other parts of the country urban male unemployment is very high in Kerala, Madras and West Bengal. Female unemployment rates appear to be highly correlated with the male rates.[13] According to another recent study, the incidence of professional and technical unemployment is higher in comparatively less industrialised states, such as Punjab, Haryana, Rajasthan and Kerala. One ostensible reason for this is that more engineers, technicians and others are being trained in these states than can be absorbed. The educated unemployed looking for administrative, executive and managerial jobs form a negligible proportion of the total number of job seekers. Similar is the case those who wanted an opening in agriculture, dairy farming, and so on.

Unemployment among skilled hands in transport and communications predominated in states which lacked surface roads. Unemployment among craftsmen and production process workers varied from state to state depending upon the institutional structure of the economy. Unskilled workers, who generally constituted non-competing groups, tended to move from the less to the more prosperous states. It is they which formed the major portion of the registered unemployed and they anxiously waited for manual work.[14]

The data compiled by the Agricultural

Labour Enquiry Committee (1950-51) showed that the incidence of unemployment was much heavier in the relatively prosperous states such as Punjab and West Bengal and was lighter in the less prosperous ones like Bihar and Uttar Pradesh. Basing his inference on these data an authority[15] remarks "This clearly means that those who are poor cannot afford to remain unemployed." As another authority puts it, "Open unemployment may be luxury that only persons in richer countries, and relatively better off persons in poorer countries, can afford : the very poor are forced to take lower-paying jobs, including setting up of household enterprises, rather than waiting for something better to come along.[16]"

forgotten factors

In our country wage-paid employment is more extensive in states with higher per capita incomes and higher degrees of commercialisation than in those with relatively lower per capita incomes and lower degrees of commercialisation.[17] It is however forgotten that the 1950-51 intensive agricultural labour enquiry was held immediately after the partition of the country and the Hindus and Sikhs uprooted from West Punjab and East Bengal (as the case might be) had come to (East) Punjab and West Bengal respectively as refugees and naturally they were more concerned to return themselves as unemployed than the rural folk in Bihar and other states mentioned by the authority in question who had not been affected by this epoch-making occurrence. Besides, the break-up of the erst-while joint family system in Punjab and West Bengal has been on a larger scale under the impact of greater literacy and modernity than in Bihar and Uttar Pradesh. In consequence, the lack of employment opportunities is reflected pre-eminently in underemployment or disguised unemployment in these states.

The joint family system furnishes to the people who are jobless a modicum of social security against unemployment, however inadequate or unsubstantial. Greater dissemination of education and of land reform and greater natural desire on the part of the youth for an independent means of living in Punjab and West Bengal than in Bihar and Uttar Pradesh and hence an increased tendency towards seeking wage-employment in the former than in the latter, which was recorded by the All-India Agricultural Labour Enquiry team, shed a flood of light on the above-mentioned phenomenon. In fine, it would be illusory to contend that there are no low-wage pockets in the more prosperous states.[18]

The states with a higher incidence of rural labour are also generally the states with larger percentages of the rural populations living below the minimum consumption level.[19] An outstanding finding of Malenbaum was that very low incomes were to be found at the extremes—among the families relying almost totally upon monetised transactions as well as among those which were essentially self-sufficient.[20] The peak or summit levels of consumption and investment per capita were found in families where barter and production for direct use accounted for 40 to 50 per cent of all economic transactions.

Unemployment and low income are closely related.[21] Low standard of living is the outcome of low per capita income. In cases where we have no registered statistics of unemployment (say in agriculture) income is a far better measure than the rate of unemployment. Poverty and under and unemployment are in India inextricably bound up.[22] The estimates of the magnitudes of unemployment provide a striking indication of suffering and deprivation in the country.[23] The unemployment problem is to be appraised as a problem of poverty, a manifestation of general underemployment. Even in the advanced countries unemployment was long ago recognised as "one of the most fruitful causes of indigency of a permanent and hopeless kind.[24] Since unemployment implies loss of income, the pockets of poverty and those of unemployment generally co-exist. In other words, unemployment and underemployment are concentrated in the poverty-stricken areas. The under-and unemployed sections of our society are the poorest sections of it.

low-end poverty

The problem of the poor in India is an unemployment problem in an important sense. Conversely, the unemployment problem is plainly and simply a low-end poverty problem.[25] The reasons that explain why the non-viable and submarginal farmers, the artisans engaged in traditional crafts, the landless agricultural labourers, the share-croppers and oral tenants, are unemployed are the very same reasons as explain why they are so poor. Widespread unemployment and poverty are different facets of the same phenomenon, namely, underdevelopment.[26] The term "underdeveloped" is an euphemism for the term "poor".[27]

Underdevelopment does not simply mean backwardness; it means general and increasing poverty. Heavy population pressure resulting in very low per head availability of land, constant dent in the per capita share in the means of subsistence, high dependency, mounting indebtedness and resulting landlessness, inability of small landholders to fully employ even the members of their own families, slow and tardy rate of growth reflecting low savings, low complementary resource-base and consequent low productivity of labour, low participation rate of the population, preponderance of extremely low-paid, blind-alley occupations for want of education (general and technical), and the like account for both poverty and unemployment. Generally speaking, the extent of poverty and unemployment in any state is directly correlated with the intensity and the multiplicity of these various factors. With every spurt in unemployment the absolute level of poverty further moves up.[28]

real hope

The solution for joblessness requires first that there be progress towards relieving poverty, for only a much higher level of per capita incomes can offer a real hope of additional jobs. On the other hand, with the factor endowments in India and the backlog of unemployment it is doubtful if such progress in income can be made under a system of general consent without simultaneous or prior progress on the employment front, This is indicative of the interaction between unemployment and poverty and their connection with underdevelopment.[29] With a relatively faster rate of growth a state which is at present less prosperous than another state can, after a time, far surpass the latter which is developing at a slower rate. Punjab as in sharp contrast to West Bengal, is an important example. Bihar and Uttar Pradesh, which start at the bottom, get gradually worse off owing to their pitifully low rates of growth.[30]

Percentages are unquestionably a valuable aid to the clearer perception of the spatial or regional dimensions of the poverty and unemployment problem in India. But for the purposes of objective and concrete planning absolute numbers are far more helpful because it is in their perspective that we can identify the areas or zones of concentration of poverty and

unemployment and tide over the difficulty of substantiating our proposition of the juxtaposition or symbiosis of poverty, unemployment and underdevelopment when confronted with the few conundrums which analysis in terms of percentages or ratios is apt to present.

This theoretical constraint apart, the imperfections of the data on which the studies are based cannot tacitly be assumed away. Thus the NSS data are derived from "woefully small samples". Per capita GNP is the "average of all averages". It does not even reflect "the true development potential" built up in the economy, particularly in the fields of infrastructure facilities and services.[31] As an economist has put it, "it is like a bikini—what it reveals is interesting but what it conceals is significant.[32] "The estimates of rural unemployment based on the agricultural labour enquiries and those of the backlog of rural and urban unemployment are beset with serious limitations and are very rough.[33] The "regional heterogeneity" prevailing in India renders many concepts such as an all-India average cereal basket meaningless when applied in the delineation of regional variations, the central theme of this article.[34]

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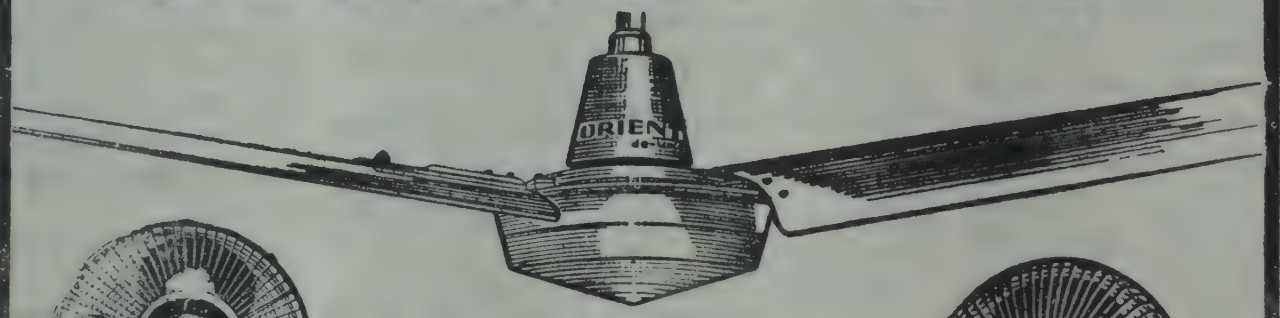
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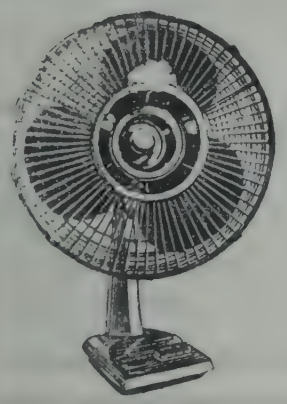
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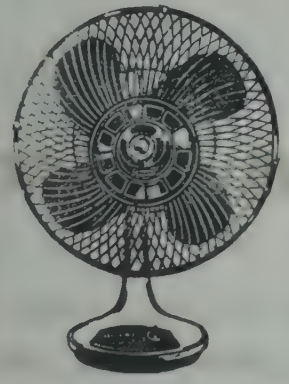
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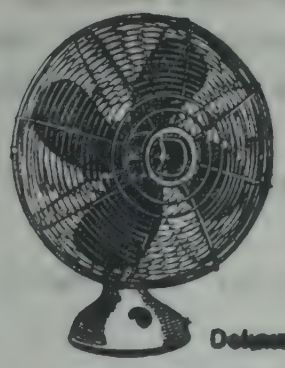


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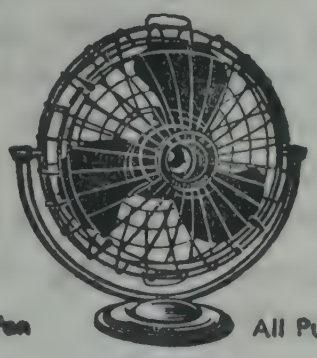


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POINTS OF VIEW

Industrialisation of Gujarat

THIS STUDY is an effort to examine the view widely held that since the formation as a separate state in May, 1960, Gujarat has made rapid progress towards industrialization at the district level.

This study first summarises the general concepts and discusses the particular methods of calculation and mode of analysis adopted and then presents the results of the analysis and comments upon them. Finally the study suggests a number of general conclusions and indicates the major qualifications which must be attached to the analysis.

Although much has been written by economists regarding the industrial instructure of Gujarat according to each industry,[1] growth pattern of industrialization of the state[2] and growth of industrialization of Gujarat in comparison to other states of India[3], there is still considerable scope to analyse the structure of industrialization of Gujarat state at the district level and to provide some suggestions on regional or district-wise disparity for maximum balanced growth, optimum adjustment between the choice of technique of production so that profitability may be optimised. Also suggestions can be put forward about the structure of each industry at district level for rapid progress towards industrialization.

For this study, 1960 has been chosen because it was the year of the formation of Gujarat as a state and 1966 due to latest availability of district-wise data. This period also indicates the various changes in industrial structure at district level in the third five-year Plan. The data on employed persons, productive capital, factories, gross output and net value added output have been taken from Annual Survey of Industries in India (ASI) of various years, and locations of industries in Gujarat have been culled from Monograph No. 10 published by the Bureau of Economics and Statistics, Ahmedabad, Government of Gujarat (1969). This study analyses the data of two years through the major economic indicators, e.g. employment, productive capital, gross output and net value added output which are widely accepted indicators of industrialization in India.

In dynamic variables, for measuring the output-capital ratio data on value added output (v) and total employed capital (c) have been taken and denoted by v/c and for output-labour ratio, data on total employed persons (L) and value added output have been taken and denoted here by v/L.

For measuring the capital-labour ratio, the data on employed capital and employed persons have been taken and denoted by C/L for capital-labour ratio and L/C for labour-capital ratio.

For measuring the profitability or return over capital, data on gross output (o) and net value added output have been taken and it is denoted here by (v/o x 100).

The structure of industrialization in Gujarat state and its share in India as a whole, can be seen in Table I which shows that Gujarat occupied third rank after Maharashtra and West Bengal upto 1960. But in 1965 the share of productive capital and value added by manufacture of Tamil Nadu were higher than that of Gujarat, therefore Tamil Nadu replaced Gujarat in the third rank. Table I also shows the extent of industrialization in Gujarat from 1960 to 1965. In relative terms, economic indicators show that the industrialization in Gujarat in relation to all states of India, was on the decline. But in absolute terms, Gujarat has made some progress towards industrialization over a period of time.[4,5]

At the district level the degree of industrialization of Ahmedabad was the highest (in percentage share) in all economic indicators from 1960 to 1966. Except for the indicator of employed persons, all indicators have increasing value in absolute terms Ahmedabad, Baroda, Surat, Bulsar, Kaira and Jamnagar districts are more industrialized than other remaining 13 districts which can be seen in Table II.

Table II shows that the concentration

TABLE I

Industrial Structure of Gujarat State (1960-65)*

Sl. No.	Economic Indicators	Units	Year					
			1960	1961	1962	1963	1964	1965
1.	Productive capital	Rs. in crores	148 (7.40)	188 (7.94)	254 (7.38)	317 (7.80)	341 (6.47)	395 (6.27)
2.	Persons employed	Nos. '000	282 (9.71)	308 (10.09)	310 (9.48)	309 (8.97)	325 (8.53)	339 (8.56)
3.	Gross value of output	Rs. in crores	270 (8.57)	323 (8.75)	351 (8.41)	390 (8.12)	465 (8.27)	518 (8.07)
4.	Net value added by manufacture.	Rs. in crores	88 (10.18)	101 (10.20)	97 (8.71)	109 (8.39)	119 (7.91)	142 (8.43)

*Figures in brackets indicate the percentage share to all-India total of productive capital, employment, gross output and net value added by manufacture for Gujarat state from 1960 to 1965.

Sources : (i) 'Annual Survey of Industries in India' (1960 to 1965) : published by the Govt. of India, Central Statistical Organisation, Calcutta.

(ii) 'Locations of Industries in Gujarat' : Monograph No. 10 : published by the Bureau of Economics & Statistics, Government of Gujarat, Ahmedabad; (1969).

of industrialization in higher value holding districts is greater than in the lower value holding districts, which indicates vast disparity of inbalance among districts of the state. District-wise industrial structure of Gujarat can be seen in Table III.

Table IV shows the district-wise industrial growth of Gujarat. Baroda. (145.48), has the highest growth in employment whereas Surat (67·16) has the lowest growth in employment, in productive capital, the highest growth can be noted in Baroda (616.63) and the lowest in Bhavnagar (72.69 : decline); in factories, the highest rank can be given to Rajkot (206.66) and the lowest to Amreli (80.00 : decline); in gross output Amreli (421.37) has the highest and Surat (97.46 : decline) has the lowest value and in net value added by manufacture, Junagadh (369.70) has the highest and Surat (67.02 : decline) has the lowest value.

The productivity aspect has been examined through the productivities of labour and capital which are measured by net value added output-labour ratio (v/L) and net value added output-capital ratio (v/c). Major components are given below:

Sl. No.	Characteristics (in 1966 over 1960)	Districts
1.	v/c & v/L increase	Bhavnagar, Surendranagar, Sabarkantha and Panchmahals.
2.	v/c & v/L decrease	Mehsana and Surat.
3.	v/c increase but v/L decrease	Jamnagar.
4.	v/c decrease but v/L increase	Ahmedabad, Amreli, Junagadh, Kutch, Rajkot, Kaira, Baroda Baroach, and over all Gujarat.

The highest productivity of capital can be seen in Ahmedabad (0.6879) and lowest in Amreli (0.0681) in 1960; while in 1966, the highest productivity is noted in Bhavnagar (0.7632) and the lowest in Amreli (0.545). The position of average district declined from 0.5929 to 0.4428. The output-capital ratio (v/c) shows the highest productivity of capital. And, it can be said that there is an effective utilization of technological changes[6].

In the case of productivity of labour, the highest position can be seen in Jamnagar (4545.13) and the lowest in Kutch (887.48) in 1960, and in 1966, the highest position was found in Bulsar (6856.27) and the lowest in Sabarkantha (1240.13). The average position of Gujarat increased from 3150.15 to 4613.57 which was at the index of 148.58. The highest output-labour ratio (v/L) in the particular districts shows the highest productivity of labour. In this context district-wise pattern of capital and labour productivities can be seen in Table V

Another aspect of industrialization is the technique of production. It can be measured by labour-capital ratio (L/c) and/or capital-labour ratio (c/L). This composition can be seen in the following tabular form:

Sl. No.	Composition (1966 over 1960)	Districts
1.	c/L increases, but L/c decreases	Ahmedabad, Amreli, Junagadh, Jamnagar, Kutch, Rajkot, Surendranagar, Mehsana, Kaira, Punchmahals, Baroda, Broach, Surat and and over all Gujarat.
2.	c/L decreases, but L/c increases	Bhavnagar & Sabarkantha.

In 1960, per worker capital (c/L) is found the highest in Amreli district (16578.20) and the lowest in Broach (2100.49) and, in 1966, Amreli (27089.30) stood in the top rank and Broach (2806.64) in the lowest. The overall position of Gujarat increased from 5237.61 to 10418.70 with the index at 178.92. The highest growth-index of per worker capital was found in Baroda (423.29) and the lowest in Bhavnagar (73.21).

Those districts which have a relatively higher value of per worker capital, can be counted in the group of capital intensive and those having comparatively lower value of per worker capital, can be counted in the group of labour-intensive industries. In this regard, Amreli is the highest capital-intensive and Broach is the highest labour-intensive in both periods of time.

The growth-index of Baroda district shows the highest position of increasing capital intensiveness and of Bhavnagar the highest position of increasing labour-intensiveness over the period as can be seen from Table VI.

Here we have analysed profitability as (v/o × 100) and its results can be seeh in Table VII.

In 1960, the highest value of profitability was found in Baroda (37:33) and the lowest in Sabarkantha (8.62) and in 1966, the highest value was noted in Amreli (70.22) and the lowest in Sabarkantha (9.92). The growth index of profitability had the highest rank in Amreli (396.11) and the lowest in Rajkot (57.82).

Moreover, the index of increasing rank of profitability was found in Amreli,

TABLE II

Economic Indicators

Sl. No.	Indicators	Years (per cent) 1960	1966	Districts
	(A) **Higher Value** :			
1.	Employed persons	80	79	Ahmedabad, Boroda, Surat, Bulsar, Kaira and Jamnagar.
2.	Productive capital	82	85	
3.	Factories	65	68	
4.	Gross Output	84	82	
5.	Net Value added by manufacture	88	86	
	(B) **Lower Value** :			
1.	Employed persons	20	21	Bhavnagar, Amreli, Junagadh, Kutch, Rajkot, Surendranagar, Banaskantha, Mehsana, Gandhinagar, Sabarkantha, Broach, Panchmahals & Dangs.
2.	Productive capital	18	15	
3	Factories	35	32	
4	Gross Output	16	18	
5.	Net Value added by manufacture	12	14	

Junagadh, Jamnagar, Surendranagar, Sabarkantha and Broach, and of decreasing rank was found in Ahmedabad, Bhavnagar, Kutch, Rajkot Mehsana, Kaira, Panchmahals, Baroda, Surat (due to separate formation of Bulsar) and over all Gujarat.

The following major conclusions can be drawn from this study:

(1) There is lack of balanced spread of industrialization at state and district levels. In comparison with the other states of India, Gujarat declined in rank while in absolute terms, it was one of the progressive states of the country in industrialization. Further, there was vast disparity among the districts of Gujarat.

(2) The productivity of capital was decreasing and of labour was increasing which showed the result of an effective adaptation of technological changes in favour of labour

TABLE III

Districtwise Industrial Structure of Gujarat (1960 & 1966)

Sl. No.	Employment (in nos.)		Productive Capital (In Rs '000)		Factories (In nos.)		Gross Output (in Rs '000)		Net value added by manufacture (in Rs '000)	
	1960	1966	1960	1966	1960	1966	1960	1966	1960	1966
1 2	3	4	5	6	7	8	9	10	11	12
1. Ahmedabad	155144 (54.91)	151463 (48.74)	773965 (49.60)	1035412 (31.98)	195 (26.03)	270 (24.93)	1385781 (51.23)	2332280 (41.98)	504860 (57.56)	657059 (45.83)
2. Bhavnagar	9827 (3.48)	9758 (3.14)	54785 (3.70)	39824 (1.23)	30 (4.01)	37 (4.32)	106158 (3.92)	206672 (3.72)	25928 (2.95)	30394 (2.12)
3. Amreli	974 (0.34)	1243 (0.40)	16147 (1.09)	33672 (1.04)	5 (0.67)	4 (0.37)	6197 (0.23)	26112 (0.50)	1099 (0.13)	18351 (1.28)
4. Junagadh	5083 (1.80)	7023 (2.26)	28842 (1.95)	11376 (3.44)	25 (3.34)	31 (2.86)	67705 (2.50)	210005 (3.78)	11789 (1.34)	43584 (3.00)
5. Jamnagar	9084 (3.22)	9789 (3.15)	104349 (7.05)	213363 (6.59)	21 (2.80)	40 (3.69)	174194 (6.44)	350564 (6.31)	41288 (4.71)	123441 (8.61)
6. Kutch	2924 (1.03)	2672 (0.86)	9571 (0.65)	30110 (0.93)	14 (1.86)	16 (1.48)	7234 (0.27)	25001 (0.45)	2595 (0.29)	6452 (0.45)
7. Rajkot	5979 (2.12)	7862 (2.53)	22188 (1.50)	71553 (2.21)	30 (4.01)	62 (5.73)	43396 (1.60)	175004 (3.15)	11686 (1.33)	27240 (1.90)
8. Surendranagar	7092 (2.51)	10224 (3.29)	31749 (2.15)	48889 (1.51)	32 (4.28)	56 (5.17)	37681 (1.39)	73891 (1.33)	9063 (1.03)	24516 (1.71)
9. Banaskantha[1]	—	124 (0.04)	—	648 (0.02)	—	3 (0.28)	—	2222 (0.04)	—	430 (0.03)
10. Mehsana	11687 (4.14)	12213 (3.93)	56071 (3.79)	93893 (2.90)	27 (3.60)	36 (3.32)	101664 (3.76)	1441115 (2.54)	30730 (3.50)	29104 (2.07)
11. Gandhinagar[2]	—	—	—	—	—	—	—	—	—	—
12. Sabarkantha	2510 (0.89)	2890 (0.93)	8717 (0.59)	9389 (0.29)	33 (4.41)	33 (3.05)	29697 (1.10)	36112 (0.65)	2560 (0.29)	3584 (0.25)
13. Kaira	12546 (4.44)	16190 (5.21)	57420 (3.88)	217249 (6.71)	54 (7.21)	91 (8.40)	146215 (5.40)	379454 (6.83)	35826 (4.09)	68244 (4.76)
14. Panchmahals	4732 (1.67)	4320 (1.39)	25563 (1.73)	24930 (0.77)	16 (2.14)	18 (1.66)	32044 (1.18)	53335 (0.96)	8667 (0.99)	12616 (0.88)
15. Baroda	24288 (8.60)	35333 (11.37)	118039 (7.98)	726860 (22.54)	91 (12.15)	166 (15.33)	247306 (9.14)	884466 (15.92)	92312 (10.52)	208458 (14.54)
16. Broach	5065 (1.79)	6806 (2.19)	10639 (0.72)	19102 (0.59)	49 (6.54)	47 (4.34)	34621 (1.28)	33890 (0.61)	6456 (0.74)	10896 (0.76)
17. Surat	25588 (9.06)	17185 (5.53)	201499 (13.62)	220810 (6.82)	127 (16.95)	120 (11.08)	285585 (10.56)	278340 (5.01)	92419 (10.53)	61936 (4.32)
18. Bulsar[3]	—	15662 (5.04)	—	340605 (10.52)	—	53 (4.89)	—	346231 (6.25)	—	107383 (7.49)
19. Dangs	—	—	—	—	—	—	—	—	—	—
All Districts	282523 (100.00)	310757 (100.00)	1479744 (100.00)	3237685 (100.00)	749 (100.00)	1083 (100.00)	2705475 (100.00)	5555893 (100.00)	877278 (100.00)	1433688 (100.00)

1. Details of 1960 are included in Mehsana district.
2. Details of 1960 and 1966 are included in Mehsana district.
3. Details of 1960 are combined with Surat district.

Sources : As of Table 1

TABLE IV

Districtwise Industrial Growth of Gujarat (1960 & 1966)

Sl. No.	District	Index of Industrial Growth in 1966 (1960=100)				
		Employment	Productive capital	Factories	Gross output	Net value added by manufacture
1.	Ahmedabad	97.63	141.07	138.46	168.30	130.15
2.	Bhavnagar	99.29	72.69	123.33	194.68	117.68
3.	Amreli	127.62	208.53	80.00	421.37	116.61
4.	Junagadh	138.17	386.16	124.00	310.18	369.70
5.	Jamnagar	107.76	204.47	190.45	201.25	298.98
6.	Kutch	91.38	314.59	114.29	345.60	248.63
7.	Rajkot	131.49	322.49	206.66	403.27	233.10
8.	Surendranagar	144.16	153.99	175.00	196.10	270.51
9.	Banaskantha[1]	—	—	—	—	—
10.	Mehsana	104.50	167.45	133.33	138.81	94.71
11.	Gandhinagar[2]	—	—	—	—	—
12.	Sabarkantha	115.14	107.70	100.00	121.60	140.00
13.	Kaira	129.05	378.34	168.52	259.51	190.49
14.	Panchamahals	91.29	97.52	112.50	167.06	145.56
15.	Baroda	145.48	616.63	182.41	357.64	225.82
16.	Broach	134.37	179.52	95.92	97.89	168.76
17.	Surat	67.16	109.58	94.49	97.46	67.02
18.	Bulsar[3]	—	—	—	—	—
19.	Dangs	—	—	—	—	—
	All Districts	109.99	218.79	144.59	205.36	163.24

Notes : As of Table II.

Sources : Same as of Table I.

TABLE V

Capital and Labour Productivities (1960 & 1966)

Sl. No.	District	Net value added (v/c) Output-capital ratio			Net value added (v/L) Output-Labour ratio		
		1960	1966	Index of 1966 over 60 (1960=100)	1960	1966	Index of 1966 over 60 (1960=100)
1.	Ahmedabad	0.6879	0.6346	92.25	3254.13	4338.08	133.30
2.	Bhavnagar	0.4733	0.7632	161.25	2638.44	3114.77	118.05
3.	Amreli	0.0681	0.0545	80.03	1128.36	1476.34	130.84
4.	Junagadh	0.4087	0.3913	95.74	2319.29	6205.89	267.57
5.	Jamnagar	0.3957	0.5785	146.20	4545.13	1261.01	27.74
6.	Kutch	0.2711	0.2143	79.04	887.48	2414.67	272.08
7.	Rajkot	0.5266	0.3807	72.29	1954.50	3464.76	177.27
8.	Surendranagar	0.2864	0.5015	175.10	1277.91	2397.88	187.67
9.	Banaskantha[1]	—	0.6636	—	—	3467.74	—
10.	Mehsana	0.5481	0.4000	72.98	2629.41	2383.03	90.63
11.	Gandhinagar[2]	—	—	—	—	—	—
12.	Sabarkantha	0.2937	0.3817	129.96	1019.92	1240.13	121.59
13.	Kaira	0.6239	0.3141	50.34	2855.57	4215.19	147.61
14.	Panchmahals	0.3390	0.5060	149.26	1831.57	2920.37	159.45
15.	Baroda	0.4909	0.2868	58.42	3800.72	5899.81	155.23
16.	Broach	0.6068	0.5704	93.69	1274.62	1600.94	125.60
17.	Bulsar[3]	—	0.3153	—	—	6856.27	—
18.	Surat	0.4587	0.2800	61.04	3611.81	3604.07	99.79
19.	Dangs	—	—	—	—	—	—
	All Districts	0.5929	0.4428	76.37	3105.15	4613.57	148.58

Notes : As of Table II.

Sources : Same as of Table I.

productivity at the district level.

(3) Gujarat can be made more capital-intensive than labour-intensive at district level.

(4) The profitability was decreasing in most of the districts.

(5) The industrial structure of the state needs diversification at the state as well as the district level.

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TABLE VII

Districtwise Profitability (1960 & 1966)

Sl. No.	District	Profitability (v/o x 100)		
		1960 (%)	1966 (%)	Index of 1966 over 1960 (1960=100)
1.	Ahmedabad	36.43	28.17	77.33
2.	Bhavnagar	24.42	14.71	60.24
3.	Amreli	17.74	70.27	396.11
4.	Junagadh	17.41	20.75	199.19
5.	Jamnagar	23.70	35.21	148.55
6.	Kutch	35.87	25.81	72.51
7.	Rajkot	26.93	15.57	57.82
8.	Surendranagar	24.05	33.18	137.96
9.	Banaskantha	—	19.35	—
10.	Mehsana	30.23	20.62	68.21
11.	Gandhinagar	—	—	—
12.	Sabarkantha	8.62	9.92	115.08
13.	Kaira	24.50	17.98	73.39
14.	Panchmahals	27.05	23.65	87.43
15.	Baroda	37.33	23.57	63.14
16.	Broach	18.65	32.15	172.39
17.	Surat	32.36	22.25	68.76
18.	Bulsar	—	30.93	—
19.	Dangs	—	—	—
	All Districts	32.39	25.81	79.68

TABLE VI

Labour and Capital Intensive Districts (1960 & 1966)

Sl. No.	Districts	Capital-Labour Ratio (C/L)			Labour-Capital Ratio (L/C)		
		1960	1966	Index of 1966 over 60 (1960=100)	1960	1966	Index of 1966 over 60 (1960=100)
1.	Ahmedabad	4730.86	6836.07	144.50	0.0001698	0.0001436	84.57
2.	Bhavnagar	5574.94	4081.16	73.21	0.0001793	0.0002450	136.64
3.	Amreli	16578.02	27089.30	163.40	0.0000603	0.0000369	61.19
4.	Junagadh	5674.21	15858.74	279.49	0.0001762	0.0000631	35.92
5.	Jamnagar	11487.12	21796.20	189.74	0.0000871	0.0000459	52.69
6.	Kutch	3273.26	11268.71	344.26	0.0003055	0.0000887	29.03
7.	Rajkot	3710.99	9101.12	245.25	0.0002695	0.0001099	40.78
8.	Surendranagar	4476.73	4781.79	106.81	0.0002234	0.0002091	93.58
9.	Banaskantha	—	5225.81	—	—	0.0001914	—
10.	Mehsana	4797.72	7687.95	160.24	0.0002084	0.0001301	62.43
11.	Gandhinagar	—	—	—	—	—	—
12.	Sabarkantha	3472.91	3248.78	93.55	0.0002819	0.0003078	106.91
13.	Kaira	4576.76	13418.72	293.18	0.0002185	0.0000745	34.09
14.	Panchmahals	5402.16	5770.83	106.83	0.0001847	0.0001733	93.83
15.	Baroda	4859.97	20571.70	423.29	0.0002058	0.0000486	23.62
16.	Broach	2100.49	2806.64	133.67	0.0004761	0.0003563	75.48
17.	Surat	7874.45	12848.99	163.16	0.0001269	0.0000778	61.31
18.	Bulsar	—	21728.07	—	—	0.0000459	—
19.	Dangs	—	—	—	—	—	—
	All Districts	5237.61	10418.70	198.92	0.0001909	0.0000959	50.23

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

BEFORE PARLIAMENT adjourned sine die this week to meet for the monsoon session on July 23, the Lower House again had a discussion on the all important issue of rising prices. The government was assailed for not being able to contain the prices spiral. The sharp uptrend in the prices of foodgrains, edible oils, sugar and coal come in for special mention. While most of the opposition members stressed that the rise in prices was due to government's continued resort to heavy deficit financing, slow growth in production, etc., some members belonging to the ruling party wondered why the prices of coal should have gone up after the state take-over of the non-coking coal mines. The role of black money in pushing up prices was referred to by several members. The slow pace of procurement of wheat too figured prominently in this debate. Some members were of the view that in order to induce farmers to market their produce in larger quantities, procurement prices should be raised. The need for strengthening the distribution system was emphasised by most of the participants in the debate.

rising prices

Sharing the concern of the House over the unsatisfactactory situation on the prices front, the Finance minister, Mr Y.B. Chavan, scathingly criticised the opposition parties and the wholesaler for trying to disuade agriculturists from bringing their surpluses of wheat into the market. He warned farmers that if they held back their food stocks, the government would go in for imports. The foreign exchange position of the country, he revealed, was somewhat comfortable to allow it to buy foodgrains abroad. Mr Chavan, however, did not disclose how much quantity the government wanted to import and from where and when. Rejecting the plea for raising the procurement prices for wheat on the ground that these prices had been announced well before the last rabi sowings, he wondered whether higher procurement rates would help in stabilising the prices of foodgrains.

Mr Chavan indicated that with a view to containing the price of edible oils, the government was thinking of importing oilseeds from abroad. The imported oilseeds, he added, would be distributed through public channels. Referring to sugar, the Finance minister hoped that the position would stabilise once the public distribution system was strengthened to handle the entire 70 per cent levy sugar. In regard to coal prices, he stated that the minister for Steel and Mines, Mr Mohan Kumaramangalam was looking into the matter.

better distribution

The Finance minister further disclosed that the government was not thinking in terms of indiscriminate rationing of the essential commodities which were in short supply. Instead, it wanted to strengthen the public distribution system through which essential commodities could be supplied to people at reasonable prices.

The issue of rising prices also figured prominently in the Upper House when it deliberated upon its likely impact on the fifth Plan. The union minister for Planning, Mr. D. P. Dhar—though he spoke in general terms—did not agree that the current uptrend in prices would affect the financial dimensions of the next Plan. He styled the present price rise as a temporary phase which could be got over by the country

Mr Dhar revealed that his ministry had begun exercises on the resources position of the fifth Plan in the light of the current economic situation. The ad valorem taxes, he stressed, could be expected to yield larger resources for financing the Plan which would aim at removing inequalities in incomes, reducing unemployment and increasing self-reliance. In support of his above reading of the situation, the Planning minister emphasised that although the prices of foodgrains had risen, those of industrial goods, except the oil-based ones, had not. Mr Dhar expressed himself against a plan holiday. He also did not think that deficit financing could be completely avoided during the fifth Plan period.

Besides the prices issue, the Lok Sabha discussed during this terminal week of budget session, the question of allotment of land in Gurgaon district to the Maruti plant in contravention of the Indian Works and Defence Act.

Maruti muddle

Another important issue that was discussed by the Lower House during this terminal week of the budget session was the allotment of land in Gurgaon district for the Maruti plant in contravention of the Indian Works and Defence Act. Although the efforts of opposition members to get a parliamentary committee to probe into the affairs of this company, with which the younger son of the prime minister is associated, did not succeed and also the opposition parties were not successful in hauling up three ministers of the central government for the alleged deliberate attempts at misleading the House by saying that no act of the government had been contravened. The issue has been discussed in this issue, it therefore need not be dwelt upon here.

The Rajya Sabha deliberated upon the affairs of the ministries of Petroleum and Chemicals and Trasnport and Shipping. During the debate on the affairs of the ministry of Petroluem and Chemicals, the minister Mr Dev Kant Barooah, stated that high level discussions were in progress with Esso in regard to the government taking over virtual control of the company, including its marketing operations. Mr Barooah also disclosed that in June, three million tonnes of oil would be imported from Saudi Arabia. This oil would be refined in Bombay by Burmah-Shell and Esso which would get conversion charges. The off-shore drilling work in

the Bombay High area, he added, was proposed to be taken up next month.

Referring to fertilisers, Mr Barooah observed that the country would require 12 large-sized factories if the total requirements of this farm input at the end of the fifth Plan period were to be met from indigenous sources. He did not rule out foreign collaboration in the setting up of these projects. The minister informed the House that of the five fertilisers plants to be set up with EIL-Tokyo collaboration, three woud be located inland and two in the coastal areas. All of them would be in the public sector. One of these plants, proposed to be set up at Ramgarh, in Bihar, would be coal-based. The minister hoped that as a result of the improvement in the indigenous availability of fertilisers, imports would go down appreciably next year (as many as six new plants are expected to go into production by next year). Mr Barooah assured the House that both the public and the private sector units in the fertiliser industry would be permitted to expand their production capacities to the optimum levels.

reduced equity shares

Referring to the drugs industry, the minister disclosed that the foreign companies had been asked to reduce their share in the equity capitals of the concerns set up with their assistance or as their subsidiaries.

During the discussion, several members urged the government to reduce its reliance on foreign oil companies. An early attainment of the goal of seifsufficiency in fertilisers was stressed by some participants in this debate. Efforts, it was emphasised, should be made to bring down the cost of drugs and pharmaceuticals.

During the discussion on the affairs of the ministry of Transport and Shipping, the minister, Mr Raj Bahadur, revealed that the government would be undertaking an ambitious programme in the fifth Plan period to augment the shipping tonnage through the acquisition of bulk carriers and the commissioning of the second shipyard at Cochin. Port facilities were also proposed to be improved a great deal. Part of this massive development programme included the completion of the Haldia port complex by next year, adding of 20 new vessels with aggregate capacity of 5.57 lakh GRT in the near future and the completion of an oil berth in Madras by 1975. Two large crude carriers of 7.89 lakh tonnes GRT, it was also disclosed, were expected to be added to the Indian fleet by 1974.

Mr Raj Bahadur took pride in the fact that the Shipping ministry have been able to exceed the fourth Plan target of four million GRT. As many as 86 vessels, he added, had been ordered on the Indian shipyards and abroad. When delivered, they would augment the shipping tonnage by 21.33 lakh GRT. Of the vessels on order, nine were bulk carriers, 50 cargo carriers, two large crude carriers, 18 tankers and two passenger vessels.

The two houses adopted the Coal Mines (Nationalisation) Bill which aimed at nationalising the non-coking coal mines the management of which was taken over by the government a few months ago through a Presidential ordinance. The Upper House approved the Constitution (31st Amendment) Bill which sought to raise the representaion of states in the Lok Sabha from 500 to 525 members. The long-awaited bill on banning defections from one legislative party to another was introduced in the Lok Sabha this week. The Taxation Laws (Amendment) Bill, which aims at amending the Income-tax Act, the Wealth Tax Act, the Gift-Tax, etc., in the light of the recommendations of the Wanchoo Committee, was referred to a joint select committee of the two Houses.

checking defection

The bill on checking defections provides that any legislator changing his party, except as a result of a split in the party. will automatically forfeit his membership of one party and joins the or state legislature to which he belongs. In the case of a formal split in a political party, this disqualification will not apply to a member who gives up the membership of one party and joins the new party. The bill also provides that the prime minister of the country and the chief minister of a state should be the member of the Lok Sabha and the Vidhan Sabha respectively. They cannot hold office for more than six months if they do not get elected to these Houses within this period. The bill further seeks to introduce a new provision in the Constitution giving the final authority to the President or the Governor, as the case may be, to take a final decision on the question of disqualification of a member. The President or the Governor, however, will not be able to entertain any question regarding the disqualification of a defector unless it is referred to him "by the concerned political party or any person or authority authorised by it in this behalf".

The following important information was provided in the two Houses by various ministers.

(1) The central government has under consideration a proposal to set up collective farms through communes as in the Soviet Union.

(2) The government would give full and fair consideration to the purchase of Soviet planes TU-154 and YAK-40 for Indian Airlines during the fifth Plan period. The fifth Plan proposals of Indian Airlines are yet to be studied by the ministry of Civil Aviation and the Planning Commission. A team of officials of Indian Airlines is currently in Moscow to study the details and economics of the two Soviet aircraft.

(3) The Bata Shoe Company has been permitted to issue Rs. 50 lakh worth of equity shares to Indians only with a view to expanding the company's capital from Rs 2.5 crores to Rs 3 crores. The premium allowed to be charged by the company on new shares is Rs 20 for a share of Rs 10.



In West Germany today

Jossleyn Hennessy
London

THE EMPLOYMENT of foreigners in West Germany is viewed with greater misgivings today than it was even as recently as a year ago. Although only one in ten people employed is a foreigner, there are, including their families, already some 3½ million non-Germans living in the Federal Republic, with problems of integration which must be considered largely unresolved as yet. On top of all this a further influx is about to arrive: since January 1, 1973, the freedom of movement for labour within the EEC has included Britain, a quarter of whose unemployed is made up of people from tropical areas. Turkey which, in step with her birth rate, has around half a million new wage-earners entering her labour market every year, and has long been providing the bulk of the Federal Republic's foreign workers, has been conceded by the EEC under the Association Agreement that complete freedom of movement will be introduced in stages between 1976-86, This could result in a further intake by West Germany.

Both the Federal Chancellor and the departmental minister responsible have referred to the 3 million-mark of foreign workers as "the critical limit". Federal minister Arendt said a year ago: "As benefits dwindle and consequential costs rise, you ultimately reach a point where the employment of foreign labour on balance no longer helps an economy to grow." More and more critics now apparently feel that this stage is at hand.

The employers' liability insurance associations complain about the foreign workers' higher accident rate; major cities like Munich are groaning under the pressure on schools and other facilities and the Office for the Protection of the Constitution encounters language difficulties with the immigrants. The federal minister of the Interior has not yet published the findings of the commission appointed last year to investigate the problem of foreigners in West Germany, because technical and political considerations have not yet been brought into line.

From the steps already taken to bring at least uncontrolled immigration to a halt, it is evident that a change is under way in the official attitude, which has been largely favourable up till now. Further measures have been announced, aimed chiefly at the industrial agglomerations where there is a disproportionate number of foreign workers aggravating an existing shortage of housing, schools, kindergartens, hospitals and other amenities. The head of the Nuremburg office of the Federal Institution for Labour pointed out in the *Economic Monthly Magazine* of the Hamburg Institute for Economic Research that the problem of employing foreign labour far transcends the labour market and affects not only the Federal Republic but also the mother countries of the immigrants. In the long run these latter countries can hardly be anxious to lose even more of their ablest and most intelligent manpower, since this holds up their own industrialisation. There is no doubt that all concerned would be better off if jobs were created where they are needed. In purely economic terms this means: export capital rather than import labour.

Any criticism of the import of labour, where it is based on purely economic reasoning, turns on the following point: a labour market free across a country's frontiers makes the supply of labour more flexible; this apparent advantage only results in the immigrant labour force being as a rule, less skilled, and accordingly less productive, than indigenous workers. A flexible supply of labour eases the pressure of wage claims on costs and consequently decreases incentives for labour saving investments. From the business view-point this may appear an advantage and not without effect on cyclical trends, whenever a slowing down of investment demand is called for. But the consequences are a decided disadvantage; the manufacturing processes used are not the most efficient and obsolete structures are prepetuated —two factors which depress productivity.

These basic considerations are allied to a number of side issues. As time passes, entire sectors of the economy come to depend on foreign manpower. The advantage of mobility offered by these people gradually disappears, as and when they and their families settle down. Once a certain level of imported labour has been reached, it cannot easily be reduced again. The productive apparatus of the labour importing country becomes unwieldy. If we enquire into the effects of a high import of labour on the balance of payments, we may find that wage remittances are at least partly offset by export surpluses achieved with the help of foreign workers; the balance of trade does not therefore automatically act as a brake on the continued import of labour.

exporting capital

Yet the alternative of exporting capital, i.e. of moving production plant abroad, where labour is available, also causes headaches. To begin with, business and marketing resistance have to be overcome. The textile industry, for example, has, not only in West Germany, but in all European countries, repeatedly expressed misgivings about "competition from cheap labour countries". Nor does the export of capital necessarily provide relief for the domestic labour market. In West Germany, for instance, foreign labour is used mainly in the building trade and in the service industries—which are not exporting industries. From a business viewpoint it may be objected that the return on capital abroad is likely to be smaller than at home, that the transfer of earnings is by no means assured and that even expropriation cannot be entirely ruled out. It is argued that if the government wishes to encourage the export of capital, it should itself

WINDOW ON THE WORLD

sponsor such a move; tax revenues from the country as a whole should be redistributed among certain private companies in the form of subsidies, an alternative which is apt to invite criticism.

If imports of labour are to be restricted, the best way open to a free market economy might be to increase the numbers available for employment by employing more female labour, raising the pensionable age or similar measures. West German labour market statistics admittedly reflect a move in the opposite direction: the number of indigenous persons employable willing to enter the labour market is declining. In fact, in 1972 the number of indigenous workers available fell by 180,000 compared with 1971, and in statistical terms this loss was barely offset by an increase of 170,000 in the number of foreign workers. This shows that, numerically, foreign workers no longer supplemented West German manpower last year but merely replaced it. This situation will continue, for owing to its unfavourable wage structure, longer training and an age limit adjustable downwards, the potential supply of indigenous workers is likely to remain within modest bounds—and this in turn keeps the growth of the economy in real terms within narrower limits.

II

Investors Seek Higher Yields

The average yield on securities quoted on the West German share market fell by 22 per cent during 1972. From 3.92 per cent at the end of the previous year it dropped to 3.08 per cent by the last day of 1972. This was due to price increases as well as to numerous cuts in dividends, some of them severe—an unusual postwar feature. Only a few people are likely to have seen this set of comparative figures, and still fewer to have taken any notice, but almost everybody reacted accordingly: shares have been cold-shouldered and attention has turned to forms of investment offering higher returns.

The experts know all about this trend—a short-term sign of the times to some extent that seems to run counter to the move into material assets sparked off by inflation. But the latest Deutsche Bundesbank survey on the "Growth of Monetary Wealth and Liabilities from 1950 to 1971" shows that it is more than a flash in the pan.

The growth of monetary wealth and liabilities in the private sector first of all provides an interesting item of information by indicating the overall changes for the period under review: total monetary assets rose from only DM 19,000 million at the end of 1949 to more than half a thousand million, an almost astronomical figure even by today's standards, by the end of 1971. This growth occurred in three stages. The most turbulent was the reconstruction period of the fifties when private monetary wealth leapt forward at an average annual rate of 21 per cent. Growth slowed during the sixties, but still maintained an average rate of 13 per cent. In the early seventies, the increase dropped to an annual average of 11.5 per cent. Higher savings were partially offset during these years by losses on share prices (shares being classified as monetary assets for purposes of the national accounts).

longer-term investments

The change in the composition of private monetary assets is equally instructive. At the end of 1972, even more than in 1949 the banks ranked first as collectors of private savings. The proportion of bank deposits in total private monetary assets rose from 53 per cent to 57 per cent—figures which exclude purchases of the various types of bank bonds, which have become so popular recently. The simultaneous pronounced drift towards longer-term investments, which accordingly bear higher rates of interest, cannot be put down solely to an instinctive defensive reaction by investors against accclerating currency erosion; it is more likely to reflect a growing interest-mindedness on the part of savers, which the banks encourage. In 1949 more than one-third of private monetary assets was in cash and sight deposits, and less than one-fifth were funds invested at longer-term. As early as the end of the fifties this proportion had been reversed, and by 1971 the proportion of highly liquid forms of investment had fallen to 11 per cent.

Private funds invested on the securities markets indicate at the same time a growing preference for fixed-interest- securities. Private portfolios, which had admittedly been drastically written down as a result of the currency reform, accounted for only about 2 per cent of private monetary wealth as a whole at the end of 1949; in 1971 they reached 9 per cent. Shares, which had a proportionately greater portfolio value (26 per cent) in 1949, because their conversion from Reichsmarks into D-Marks had been effected on comparatively favourable terms, by contrast were less prominent as a form of private investment in the following years despite far-reaching government measures of denationalisation. At the end of 1971 only 10 per cent of private capital was invested in equities.

The Bundesbank quotes several reasons for the decline in the status of equities as a form of investment. The Bank cites low yields and an "obviously widespread aversion to risk taking". The big fall in the return on shares, on the one hand, and the continuing erosion in the value of money on the other, do, in fact, call for a mental readjustment to old investment concepts. The trouble is that if private individuals refuse to take risk investment, then the only alternative is that the government must take them, in which case you get planned economies like that of eastern Europe (not to mention India!), which reduce or eliminate political freedom and consumers' choice.

Now that the turbulent postwar period in West Germany has ended, the investor is apparently having to think again. This rethinking may lead him to insist, as he used to in the past, that the risk of equity ownership should be remunerated by a higher return. With prices rising at about 7 per cent—and with steadily rising taxes—returns of about 3 per cent on equities are laughable. The investor will only accept so meagre a reward if, despite rising costs and keener competition, companies can earn larger profits which will in turn be reflected in rising share prices.

illusory gains

The steep fall in profits in 1970-71 were not merely a reaction to the exceptional good year 1968-69. There was evidence of a longer term trend which—allowing for all economic factors at home and abroad—may, subject to fluctuations, persist. Before World War I, companies were able to distribute about 5 per cent of their total profits. By 1962 this had fallen to 2.3 per cent and by 1971 to a mere 1.9 per cent.

The Bundesbank stresses the reluctance of investors to take risks and their growing interest in higher interest returns; overall business liabilities have risen far more steeply in the last twenty years than monetary assets in real terms. This process has, it is true, halted in recent years but only because of the inflationary price spiral and the resulting paper appreciation of material assets. These profits shown in the overall national accounts are often no more than an illusion—they only look good on paper, In any case the behaviour of private investors proves that they are not taken in by figures of this kind; yield retains, or gains, pride of place, particularly under inflationary pressure.

This phenomenon is not confined to West Germany. British investors are

shying away from the capital market because of government restrictions on dividends and a capital gains tax, which might be conceivably justifiable with a steady currency, but which is indefensible under inflation.

III

Who Are the Guilty Men?

Since the elections, government spokesmen have refrained from giving new undertakings to safeguard jobs, but this does not mean that in view of the growing loss of stability, the government now attaches less importance to full employment. No political party in any country today—and not even economists—openly advocate reduction in employment, even though with an average annual unemployment rate in West Germany of 1 per cent and three vacancies for every registered unemployed, overfull employment clearly prevails.

Consequently, the West German labour market is unlikely any longer to reach a natural market equilibrium between supply and demand. The conditions in which wage rises are conceded in a permanently overheated labour market have therefore become an urgent problem.

Full employment is good; in the industrialised economies it is important for social stability and for safeguarding the democratic order.

It is, however, in the nature of full employment that, if left unsupervised, it ends in overfull employment, with overstretched production potential. Competition, without which a free economy—and, indeed, a free society—cannot function, is distorted or eliminated. A sellers' market prevails and this naturally includes the labour market. Both management and labour are largely relieved of normal discipline; they escape from the competitive market restraints which should determine both prices and wages. Few people seem, however, to realise that market forces themselves can never be escaped, so that they force on rising prices followed by a vicious circle of wage demands to compensate for them.

This is the situation in West Germany and in many other countries today. Once prices rise beyond a certain point, the consumer—who is both wage earner and the people at large—begins to rebel; dangerous social and political strains arise and vociferously demand relief. Nowadays politicians looking for bolt holes to escape their political responsibilities for inflation—don't forget that inflation arises from political decisions and is automatically cured if market conditions prevail—more and more fall back on wage and price controls and all manner of other interferences (such as rent control) with the mechanisms of the market. With growing inflation, social tensions are now rising in West Germany—the one country in Europe which because of its stable currency for so many years was free from them. I repeat: an economy with overfull employment, if left to itself, nourishes the seeds of social disaster.

If full employment and the existing European economic and social order are valued, the politicians must halt inflation. They can do so by courageous education of electoral opinion instead of cringing before it.

Keynes was successful in solving the problem of chronic depression; he never had to face the problem of overfull employment and inflationary overheating. It is, however, often overlooked that he has had successors who have tackled inflation. The trouble is that the remedies that they offer are distasteful to those in search of votes. Apart from the basic solution by means of management of the money supply, one technique that has been developed and applied intermittently has been to use productivity as a yardstick in determining wages.

productivity—one way out

To link wages to productivity means that wages must rise in step with, but not overtake, the rise of productivity.

If this rule is universally observed, the national price level remains stable. In the sixties both the West German government and the EEC Council of Ministers thought it sound to link wages to productivity. The principle foundered on the resistance of the trade unions who believed that the upward adjustments that they were trying to achieve in the wage and salary ratio (ratio of total wage and salary income to national income) would be achieved soonest by an aggressively expansionist wages policy. But, I repeat, you can't bottle up market forces. However much you boost nominal wages and salaries, you cannot get *real* increases in excess of productivity. In the years 1950-65 the rise in real wages coincided with the improvement in overall economic productivity, and this fact remains true today: nominal wages rose in those years on average by 8.5 per cent a year but, adjusted for the rise in prices, this represented no more than 5.3 per cent, and this percentage was almost identical with the rise in overall economic productivity.

The moral is that however high nominal wages are fixed, no percentage in excess of productivity gives additional purchasing power because it is swallowed up by the corresponding rise in the cost of living. Of course, the wage packet grows big and round—but like soap bubble! No wonder that the bursting of the bubble causes bitterness and senseless disputes as to who is responsible. The employers plead the pressure on costs exerted by wages, the unions denounce the government's "failure" to keep the cost of living stable. It is, however, ironical that neither the workers nor the employers are guilty: the wage-price spiral is caused by politically uucontrolled overfull employment.

intensified competition

If wage and salary rises are linked to productivity, demand rises less rapidly; it becomes difficult to pass rising costs on in higher prices; businesses are compelled to face the intensified competition which promotes price stability. In any case, the products of the "bilateral monopoly"—the unions and the employers' associations—in terms of wages policy are too expensive. It is up to the politicians to control the money supply and to enforce the link between wages and productivity. Economic laws cannot be ignored. They have nothing to do with capitalism or socialism. They explain why one country gets rich more quickly than another and why individuals in each do the same. If you don't believe me, ask the Soviets, the Poles, the Hungarians and the Yugoslavs. To the extent that any of them are better off than they were twentyfive years ago, it is because their doctrinaire planners have modified their doctrines (without necessarily admitting that they have done so) in the light of experience.

Sources and acknowledgements: The foregoing summarises reports in recent issues of the fortnightly *Economic Review*, published by the Berliner Handels-Gesellshaft-Frankfurter Bank (10 Bockenheimer Landstrasse, 8 Frankfurt 1, West Germany) but the BHF is not responsible for the emphasis of my summary, still less for my interpressed idiosyncratic comments based on a lifetime of watching politicians refusing to recognise economic realities.

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Economic thought of Nicolaus Copernicus

Prof. Jan Czarkowski

BESIDES HIS interest in astronomy, Nicolaus Copernicus also wrote about monetary problems and these works were and frequently are published and translated into various languages for they constitute one of the most admirable relics of the economic literature of his age. His economic views are closely linked with the socio-economic renaissance and with the economics of the Polish Renaissance. This is by no means a play on words but a description of the most significant relation and rejection a *limine* of all attempts to proclaim the theory of spontaneous generation.

His views are derived therefore from the social and economic transformations that took place in Poland at the end of the 15th and in the early 16th century; they are formulated under the stimulating influence of the Polish Renaissance then fostered by the Cracow Academy in a period of its most remarkable development in learning and active participation in the international scientific movement. In this atmosphere, invigorated by the struggle for progressive ideas against the intellectual benightedness of the Middle Ages, Copernicus broke in an earthshaking manner, one might say, with the reigning Church theory on economic phenomena and processes which proclaimed, among other things, that money is a good that must be quickly spent for he who holds on to money commits the sin of greed for which he will burn in hell.

money desacralised

Copernicus approached the question of money in its essential quality from the point of view of the role it truly plays in the economic process, thus desacralizing money which in the past had been viewed in moral terms. The pioneering and creative economic views of Nicolaus Copernicus, which preceded world science by nearly 250 years, represent the highest achievement in economic thought in Renaissance Poland. At the same time, Copernicus was active in the practical sphere of social affairs, primarily in regard to monetary reform in Poland. Furthermore, he postulated the assimilation of the Prussian monetary system with the Polish system, thus giving voice to his unqualified civic allegiance to the nation as a whole. That is why Polish economists recognize Copernicus as their most illustrious protoplast and patriot and that is why foreign economists acclaim him as a genius and a pioneer in economic and, specifically, in monetary theory.

Copernicus opened his dissertation Monetae cudendae ratio (Dissertation on the Monetary System) with a definition of money: "Money is stamped gold and silver used as payment for the purchase or sale of goods according to the regulations of individual states or powers." He expressed the view that money was established as a direct outcome of the develoment of the economy of exchange of goods. It was thus possible to do away with the inconvenience of weighing and testing the purity of precious metals contained in the coins. The symbol of the state or ruler stamped on the coin was a guarantee of "the true value of gold or silver contained." Only gold and silver, stamped with their symbol, were money. Thus gold and silver performed the function of a medium in the exchange of goods because coins were struck only from these metals.

universal measure

In the exchange of commodities on the market, a comparison of the value of the goods exchanged was conducted. In this comparison metal coins performed the "function" of a universal measure of value. Copernicus went on to proclaim the principle that money, in order to perform well its function as a measure of value must be stable and steady in purchasing power. Otherwise "confusion would ensue in the order of the country, causing injury to buyers as well as sellers in the same way as if an ell, bushel or a weight did not keep a stable measure." Copernicus was concerned here with the standard content of precious metal in coins because he did not yet know the true source of the inherent value in money and was not aware that the value can be altered as a result of changes in the amount of work necessary to produce the precious metals for money. Copernicus admitted the eventuality of introducing a new coin in two cases; (a) when the old currency has been worn out, it should be recalled; (b) in the event of introducing coins of a more precious alloy.

Copernicus devoted special attention to the second of the two problems, namely to the problem of bad or debased money, by minting coins of lower grain or weight but of the same designated value as the old money. Particularly as regards monetary reforms which raise the value of debased money. Copernicus considered the question of equalization of payments made under old contracts that had been drawn up when the money was being successively debased because the debtor who paid his debts with good money would suffer a loss. A leading Polish economist, Professor Edward Lipinski[1], draws the conclusion from the above that Copernicus also knew the function of money as a medium of payment although he did not say so explicitly.

good money

Copernicus devoted himself specifically to the function of world money in external, international commerce which developed on a large scale in 16th-century Poland, particularly in the northern regions. Good money, he held, is the foundation of internal (domestic) trade and more particularly of external and international commerce and leads to its auspicious expansion; bad money thwarts and destroys trade. Copernicus listed the causes behind the devaluation of money as follows: reduction of the content of silver and increase in the content of copper, reduction of the weight of the coins and at the same time of the content of silver and, finally, devaluation of money when it is worn thin through circulation over a long period of time.

Copernicus judged the appreciation of money solely from the purely economic point of view, rejecting all moral considerations. He made the point that appreciation of money can bring profit to the ruler and also to the merchant but that it always means a loss to the general public. "Only goldsmiths", Copernicus stressed, "gain profits with injury and detriment to the country, by seizing for themselves the value of money. For they select old coins from the pile, melt them down to silver and sell

it, while always taking from the ignorant people more silver in a different coin."

Since gold and silver, owing to their natural properties, can perform a function in the hoarding of wealth, they may continue in this function when they have been minted into coin but only if the standard of the alloy and weight of the coinage remain constant. With appreciation, the function of money in the accumulation of wealth is violated and better money of greater purity or more exact weight is picked out and hoarded while less valuable worse money remains in circulation.

Copernicus gave a detailed analysis of the socio-economic consequences of the devaluation of money. He emphasized that the consequences of debasement are the rise in the prices of gold silver, grain and of the labour of retainers and artisans. There is an increase in the price of all commodities. Thus small shopowners and artisans do not oppose the debasement of money because they can demand prices that are raised proportionally to the degree of the devaluation of money. People who live on a stable income, obtained in the form of wages, fees and rents, are the losers. But side by side with the interests of individual social groups there should be considered the interests of the general public, of the entire population and the entire country. Copernicus underlined the fact that those states flourish which have good money while the states that have bad money decline; that also merchants and artisans, if they consider their interest in the broader aspect, will come to the conclusion that good money benefits them as well.

productive force

Copernicus treated money from the viewpoint of the expansion of productive forces from the standpoint of the growth of the national economy as a whole, money as one of the essential factors of this development. He approached that development with a certain perspective.

He wrote: "...above all, however, the greatest flaw and unbearable mistake arises when the ruler or the governing head of a country or a community seeks profit in minting money, notably when the new money, which is added to the old is insufficient in weight though equalized in value with the older money. In that manner he not only cheats his subjects but himself as well because he is happy at the temporary benefits which are usually small or insignificant: it is not otherwise with the miserly farmer who sows bad grain in order to hoard the good grain and who in consequence gathers more bad grain than he sowed. Thus this destroys the value of good money just as rust or other weeds destroy grain.

According to Copernicus, debased money in effect causes an increase in prices. An example of this was Prussia where in the period of good money grain and all agricultural products were cheaper. Improvement of money would not place a burden even on those who paid rent for their land for they would sell agricultural products and cattle at a higher price. The mutual exchange would act as an equaliser.

Copernicus explained that bad money obstructs the import of foreign goods for who "of the foreign merchants would wish to exchange his goods for copper coin? Who, finally, of our merchants will succeed to purchase foreign goods in other countries for this money? Furthermore, the debasement of money leads to the flight of better money out of the country or to the melting down of this money, while inferior, copper money remains in circulation. This clearly indicates that Copernicus perceived the phenomenon and described the process whereby bad money drives out good money in his work called the "Dissertation on the Monetary System" (1526).

Gresham's law

In the history of economic doctrines the phenomenon has been known until fairly recently as Gresham's Law (1519-1579). The law states that if monominal money of higher and lower value is in circulation, the bad will then drive the good money out of circulation and will be melted down or later taken out of the country. After a time only the bad money will remain in circulation.

The disputes as to who first formulated the law has been resolved both in the Polish[2] and in foreign literature. The English economist Henry Macleod[3] had wrongly ascribed the first formulation of the law to Thomas Gresham[4] but apon the publication in French of M. Wolowski's work on the money of Oresme and Copernicus, Macleod corrected his error[5].

The economic works of Nicolaus Copernicus represent the finest achievement in economic ideas during the Polish Renaissance and open a new period in the evolution of those ideas. The harmful practice of debasing money pursued by Prussian towns, which from 1457 enjoyed the privilege of minting their own money as well as by the monastic state under the Teutonic Knights, which was then getting ready for war with Poland, led Copernicus in 1517 to study this important question in its theoretical aspects. His economic ideas sprang from the socio-economic changes then occurring in Poland; they were closely linked with the expansion of the exchange of goods and money, with the growing importance of merchants and commerce, particularly of foreign commerce, with the emergence of the first feature of an economy based on the exchange of manufactured products.

struggle against feudalism

The theory of money formulated by Copernicus is at the same time a manifestation of the struggle with the feudal domanial doctrine of money, a struggle born in circumstances of the development of an economy based on the exchange of manufactured goods, it is also an expression of the desacralization and demystification of money.

Copernicus perceived and pointed to the existence of objective economic rules. He emphasized that the circulation of money is also governed by objective laws which are inexorable "even if the King himself resists them."

The Copernican theory of money is a metallic theory and Copernicus seems to perceive money as a commodity in its essence even though the role of work as a producer of value was not yet understood. He emphasized that while the Polish monetary system had been based on silver coins, because the prices of goods were converted into silver, the gold coins in circulation functioned as a commodity of no stable rate of exchange.

There is a clear and sharply defined trend in the economic thought of Copernicus to reason in social, overall categories, in categories of national economy, a tendency to think quantitatively and to a certain orientation in the range of volumes and proportions, a tendency to discover the mechanism behind the functions of the economic system being analyzed. There can be no doubt that elements of the foundation of the general economic theory are rooted in the treatment of economic problems by Nicolaus Copernicus.

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Courtesy : *Poland*, Warsaw

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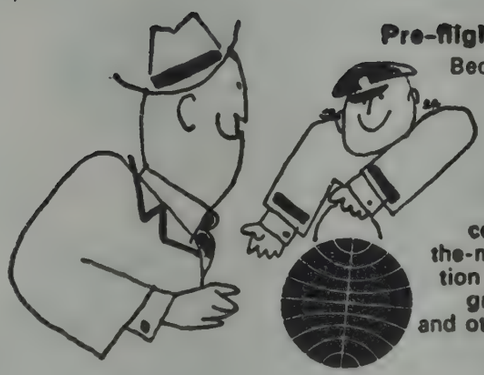
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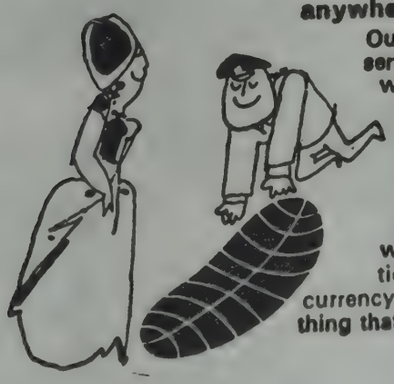
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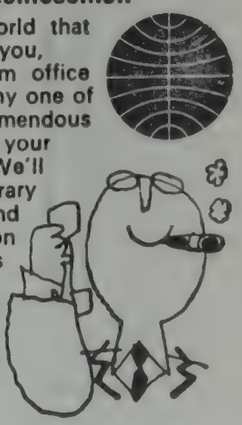


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TRADE WINDS

Coal Mines Authority

THE UNION cabinet has approved a proposal far the establishment of a high powered Coal Mines Authority (CMA) on the lines of the Steel Authority to ensure co-ordinated development of coal mines and their modernisation to step up output. As already indicated by the minister for Steel and Mines, Mr S. Mohan Kumaramangalam in Parliament, the new authority will have under it all coal mines except the Bharat Coking Coal and the Singareni coal fields in which the Andhra government has substantial interests. The National Coal Development Corporation will also come under the jurisdiction of the new Coal Mines Authority. The headquarters of the proposed authority will be at Calcutta but various regional organisations will be set up under it for the eastern region, Madhya Pradesh and Maharashtra. These will function as the Coal Mines Authority's subsidiaries but with wide powers. The NCDC will continue to function at Ranchi which will also be headquarters for the eastern region of CMA. The establishment of the new set up is designed to achieve the target of 142 million tonnes of coal by 1978-79 against 76 million at present.

IDA Credit for Water Supply

A $ 158.0 million project to expand and improve the water supply and sewerage system serving Bombay's six million people will be assisted by a credit of $ 55.0 million from the International Development Association (IDA), an affiliate of the World Bank. The project is the first operation for the World Bank Group in this sector in India. It is part of a 10-year (1972-81) water supply and sewerage development programme designed to improve living conditions in Bombay. The project will enable the Bombay Municipal Corporation to increase water supply from less than five hours per day for 60 per cent of the area's population to about eight hours per day for the entire population. It will also expand sewage collection, treatment and disposal systems, for Greater Bombay. The IDA credit will cover 35 per cent of the costs, including all of the foreign exchange costs.

Implementation of the project will be the responsibility of the Water Supply and Sewerage department of the Bombay Municipal Corporation. The project will be completed in 1978 at a total estimated cost of $ 158 million—$ 111 million for water supply and $ 47 million for sewreage.

The IDA credit to the government of India is for a term of 50 years, including 10 years of grace. It will be interest free, except for a service charge of 3/4 of one per cent to meet IDA's administrative costs. The proceeds of the credit will be made available by the Indian government as part of the funds for general development purposes provided to Maharashtra. The state government will relend the proceeds to BMC at 6¼ per cent interest for 25 years, including four years of grace.

Annual Plan 1973-74

A total plan outlay of Rs 4,364 crores has been envisaged in the centre, states and union territories for 1973-74, representing a step-up of about 10 per cent over the outlay of Rs 3,973 crores for 1972-73.

To finance the enlarged outlay for the annual Plan 1973-74 greater reliance is placed on domestic budgetary resources which would be augmented substantially through fresh resources mobilisation by the centre and the states. About 88 per cent of the total public sector Plan outlay is to be financed from such resources as against 86 per cent in the original estimates for 1973-74. Deficit financing in 1973-74 has been kept up at a modest level. The estimates for 1973-74 take into account the normal growth of revenue receipt and provide for minimum increases in non-Plan expenditure. Provision for defence has been kept at 1972-73 level of Rs 1600 crores.

Grants to states for relief from natural calamities have been taken at Rs 40 crores as against Rs 80 crores in 1972-73. Grants to Bangladesh are placed at Rs 25 crores. Interest payments for 1973-74 are expected to be higher than for 1972-73 by Rs 66 crores mainly because of the growing volume of debt. Food subsidy has been budgeted at Rs 130 crores as against Rs 117 crores in 1972-73, taking into account the anticipated procurement and distribution of foodgrains through government agencies.

The additional resource mobilisation undertaken by the centre in the first four years of the fourth Plan, exclusive of special levies imposed for meeting the expenditure on relief to evacuees from Bangladesh is expected to yield, net of states' share, about Rs 981 crores. Over the fourth Plan period as a whole, these measures would yield more than Rs 2900 crores (net of states' share) as against the original Plan target of Rs 2100 crores for the entire five-year period. However, in view of the need for stepping up development outlay and reducing deficit financing to a modest level, the centre has announced further resource mobilisation which is expected to yield, net of states share, about Rs 293 crores in 1973-74.

As against Rs 550 crores estimated in 1972-73, deficit financing in 1973-74 has been taken at the modest level of Rs 85 crores. No provision, however, has been made for the additional expenditure in regard to the Third Pay Commission's recommendations. The central assistance to states for 1973-74 is Rs 855 crores as against the original allocation of Rs 719 crores for 1972-73, which was subsequently increased by Rs 55 crores.

Sugar Production

Production of sugar from October 1972 to May 7, 1973 was 3.69 million tonnes as against the target of 3.6 million tonnes for the year 1972-73. The sugar production this year is expected to cross 3.8 million tonnes. 35 factories are in production as against 14 factories last year. Despatches of sugar up to the first week of May were 2.09 million tonnes as against 2.42 million tonnes during the same period in 1972. The stocks of sugar with the factories on May 7, 1973 were 2.2 million tonnes while last year on the same date factories had 1 99 million tonnes in stocks.

TISCO Expansion

A 20-member Japanese survey team will be arrriving at Jamshedpur in early June on a three-week study of and extensive discussions on the expansion programme of Tata Iron and Steel Company (TISCO). A TISCO press note stated: "The team will go into reasoning, basis and economic justification for the selection of each process and major plant or equipment. In the feasibility study due consideration will be given to the maximum potential capacity that could ultimately be established in the area availables for the expansion project". After the completion of the Japanese survey team's work towards the end of June, TISCO engineers will go to Japan to help Nippon Steel prepare working notes which will include technical

and economic study for each major unit. A second Japanese study team will visit Jamshedpur by about October this year for further discussions. The final feasibility study report is expected to be ready by January next year.

Gold Zooms to $ 111

The price of gold rocketed to unprecedented levels on western bullion markets recently. It reached 111 dollars per ounce in London on May 16. On May 17 it came down to $ 103.50 per ounce.

Committee on Cloth Prices

To examine the reasons for the increase and the measures to be taken in order to prevent any undue rise in prices of cloth the ministry of Commerce has set up a committee under the chairmanship of Mr B. B. Lal, Commerce Secretary. Following are the other members of the committee. Mr M. Narasimhan, Additional Secretary of Finance, Department of Economic Affairs; Mr S. S. Marathe, Chairman, Bureau of Industrial Costs & Prices; Mr K. Kishore, Joint Secretary, ministry of Commerce; Mr P.N. Kapur, Textile Commissioner, Bombay; Mr M. Satya Pal, Addl. Industrial Adviser, Planning Commission; Mr K.K. Dhar, Managing Director, National Textile Corporation Mr K. Narashimhan, Joint Secretary, Central Board of Excise & Customs; and Mr Tejendra Khanna, Deputy Secretary, ministry of Commerce — (Member-Secretary). The committee will look into the prices and production of controlled cloth and make suitable recommendations in this behalf within a fortnight.

Import of Edible Oils

To ease the shortage of edible oils in the country, the union government has arranged for the import of about 100,000 tonnes of oils, including soyabean, rapeseed and palm oils. Out of this quantity, 55,000 tonnes have already arrived. The balance is expected to reach shortly which would increase the availability of oil for edible purposes and vanaspati industry. The government has decided to continue the import of oils besides the quantities already ordered.

Demand for Iron Ore

The total estimated demand for iron ore for internal consumption and exports, as assessed by a Planning Commission's Task Force, is 66 million tonnes at the end of the fifth Plan period (1978-79). This information was given by Mr Mohan Dharia, minister for state for Planning in the Lok Sabha recently. The estimated sector-wise break-up of this demand in million tonnes would be : Bihar-Orissa Sector 26; Bailadila sector (MP) 19; Bellary-Hospet sector (Mysore) 9; and Goa Sector 12. The export targets of iron ore in 1978-79 through different ports have been projected in million tonnes is : Haldia-Paradip 9; Visakhapatnam 12: Madras 8; Marmugao 12; and minor ports 1.

The demand and export targets the minister stated, did not include those arisings from Kundramukh project, pending assessment of marketability of the product.

Report on Unemployment

Mr B. Bhagavati, chairman, submitted the report of the Committee on Unemployment to Mr K. V. Raghunatha Reddy, minister of Labour and Rehabilitation recently. The expert committee has recommended that a National Commission on Employment and Manpower Planning should be established. The commission should have adequate authority and professional competence. The committee in its report has dealt with some of the basic issues in the Indian unemployment situation and suggested a number of measures to solve the problem. The committee has also recommended that government of India should set up a department of Employment and Manpower to make a comprehensive assessment and review of the employment situation on a countrywide basis. A similar department also should be set up in each state.

According to the committee the likely number of unemployed persons in 1971 may reasonably be taken as 18.7 million, including 9.0 million who are unemployed and 9.7 million who work for less than 14 hours a week and who may be treated on a par with the unemployed. These would include 16.1 million persons in rural areas (7.6 million males and 8.5 million females) and 2.6 million persons in urban areas (1.6 million males and 1.0 million females). Number of matriculate job-seekrs has tripled, the number of undergraduate job-seekers had quadrupled and graduates have become six-fold between 1966 and 1972. Average of annual increase of job-seekers was 20.1 per cent from 1966 to 1971 and had touched 42.8 per cent from 1971 to 1972. Labour force to the total population was 34.6 in 1971. The committee has made few suggestions for better assessment of unemployment and under-employment including a central agency for effecting co-ordination of studies undertaken by a number of research agencies.

Pattren of UK Exports

A handful of companies account for half of Britain's exports and United States subsidiaries in Britain account for some 17 per cent of the country's exports. Non-electrical engineering is easily the most successful industry in overseas markets. These are some of the conclusions from an inquiry into Britain's overseas transactions conducted by the Department of Trade and Industry. The results of the trade inquiry are based on 1971 figures.

It has been revealed that just 79 companies were responsible for half of the country's exports, with 23 companies, each with overseas sales of more than 150m, accounting for one-third of total exports. Some 233 companies achieved two thirds of the export total. The percentage of exports by United States controlled companies shares little change from the level of 1970, but the proportion accounted for by United Kingdom firms with overseas affiliates dropped from 54 per cent in 1970, to 52 per cent in 1971. Associates of foreign firms increased their share from three to five per cent.

After non-electrical engineering, the motor industry earned the most for Britain, overseas United States controlled companies accounted for a high proportion of exports in the non-electrical, motor vehicle and rubber industries. Other foreign controlled enterprises had relatively high exports in the metal manufacture and non-electrical engineering industries. The overseas sales of British companies with foreign subsidiaries and associates featured prominently in the food, drink and tobacco, and chemical, non-clectrical engineering categories.

Algerian Fair

This country will participate in the International Trade Fair to be held at Algeria from September 1 to 17, 1973. This has been decided by the union government and the ministry of Commerce will organise participation in the fair. This fair has assumed greater importance, as the Conference of Non-Aligned Countrics is going to be held in Algeria during the same period. High level delegations will participate in the conference and matters pertaining to trade will be discussed. In view of the growing economic and friendly relations with Algeria and the high priority being given to industrialisation in that country, Indian participation is expected to prove beneficial. The Indian pavilion will project India's industrial development and export potentialities of sophisticated goods.

Names in the News

Mr J. N. Kamath took over as the additional secretary in the ministry of Heavy Industry. Mr Kamath was a joint secretary in the ministry of Industrial Development.

Mr Vinod Vrijlal Parekh has been appointed the chairman of State Trading Corporation. He was the managing director of the Housing and Urban Development Corporation.

COMPANY AFFAIRS

Bharat Commerce

BHARAT COMMERCE and Industries Ltd has reported excellent working results during the year ended December 31, 1972 with sales and profits recording spectacular improvements over the preceding year. With a jump in sales from Rs 18.50 crores to Rs 21.53 crores, gross profit leaped to Rs 201.46 lakhs from Rs 69.75 lakhs in 1971. The pick up in the efficiency of the various plants, the improved supplies of rayon staple fibre, the critical raw material, and the diversion of part of the capacity of the Rajpura plant to cotton yarn which further eased the raw material position by diversifying the company's raw material requirements, have by and large been responsible for the significant increase in working results during the year under review. Not content with its past proud achievements the company is constantly engaged in improving the existing products by technological innovations as well as by introducing new products in the market. What is more the company with a view to expanding its business activities is continuously exploring ways and means of setting up projects abroad. Recently a joint venture project was successfully negotiated in Afghanistan on the basis of 50 per cent capital participation. This project is expected to commence production early next year.

Out of the gross profit, the directors have set appart a sum of Rs 53.04 lakhs to depreciation reserve as against Rs 53.29 lakhs in 1971 while the allocation to development rebate reserve was enhanced from Rs 4.73 lakhs to Rs 4.80 lakhs. The provision for gratuity was raised from Rs 4.99 lakhs to Rs 17.97 lakhs while directors' remuneration claimed Rs 3.10 lakhs as compared to Rs 0.81 lakh in the preceding year. Taxation absorbed Rs 66.00 lakhs as against no allotment in the earlier year. The profit after these allocations amounted to Rs 56.55 lakhs as against a mere Rs 5.94 lakhs in 1971. After adjustments a sum of Rs 0.95 lakh was transferred to the capital reserve and Rs 59.59 lakhs to general reserve. The directors have stepped up the equity dividend to 15 per cent for 1972 as against 12 per cent paid for the previous year. The recommended equity dividend will absorb Rs 22.50 lakhs while the dividend on preference shares will consume Rs 5.28 lakhs and will be paid out of the general reserve. During the year under review, 25,000 (9.5 per cent) third redeemable cumulative preference shares of Rs 100 each were issued for financing the modernisation renovation and replacement of the plants in some of the units of the company. These were fully subscribed. Moreover, 30,000 redeemable cumulative preference shares of Rs 100 each which were redeemable by December 31, 1972 were redeemed accordingly.

In spite of the fact that the company is operating under various schemes of pricing and distribution controls, it looks forward to the future with reasonable optimism in view of the various diversification programmes as well as the good reputation the company's products enjoy in domestic and overseas markets.

Escorts

The board of directors of Escorts Ltd has recommended a higher equity dividend of 12 per cent for 1972 as against 11 per cent declared for the preceding year. A part of the dividend is expected to be free of income tax under Section 80 of the Income-Tax Act. The pre-tax profit during the year went up to Rs 171 lakhs rscording a gain of Rs 34 lakhs over 1971. The improvement in profits is significant considering the fact that the volume of sales was maintained at Rs 40.5 crores, almost the same level as in 1971. The result would have been still more encouraging but for the steep fall in tractor demand, drought conditions in several parts of the country, power crisis and easy availability of imported tractors with the state agro industries corporations.

Barring tractors and fram equipment, sales of all products have increased during the year. In fact the shortfall in sale of tractors which accounts for the bulk the company's business has been offset by improved performance in other lines. During the year the company manufactured and sold 20,600 Rajdoot motorcycles and scooters as againtt 16,700 in 1971. Sales of piston assemblies and automobile ancillaries were up by nearly 25 per cent. Transpower pack automobile gears and yellow line industrial tractors added Rs 2 crores to sales income. The outlook for the current year according to the directors, is quite promising. The government's decision to ban tractor imports is bound to give a big boost to the company's sales.

Larsen and Toubro

The Controller of Capital Issues has given consent to Larsen & Toubro Limited for its proposed bonus issue. Share holders will receive eight bonus shares for every 25 equity shares held by them. The new shares will rank pari passu with the existing equity shares in all respects excepting that they will not be eligible for dividend for 1972-73. The company will be issuing 14,45,507 shares of Rs 10 each as bonus shares by capitalising a sum of Rs 36,84,371 from the share premium account and Rs 1,07,70,699 from the general reserve.

Straw Products

The board of directors of Straw Products Ltd have recommended a dividend of 10 per cent on enlarged equity share capital (including bonus shares alloted in April, 1972 in the proportion of one new share for every two shares held) equivalent to 15 per cent on the old capital against 13 percent last year and 9.3 per cent on preference shares for the year ended December, 1972. The company has made a gross profit of Rs 1.58 crores during the year 1972. The total sales and other income for the year have gone up to Rs 9.59 crores against Rs 9.09 crores in the previous year. The gross block has increased by Rs 4.87 crores to Rs. 18.97 crores. The overall production of paper and boards was 36,549 tonnes, almost the same in the previous year. The speciality paper plant to produce high grade of paper with rag contents such as tissues, airmail, Bonds etc. was established. This is a part of phase of the company's Rs. 13-crore expansion programme. This year's profit does not reflect the working of speciality paper plant, because it was only commissioned at the end of the year. Balancing equipment for further increase of production and coating plant are under installation and would be commissioned by the first quarter of 1974. This will further improve the profitability of the company. Amongst the allocations a sum of Rs 1,06,78,849 has been provided for depreciation against Rs 55,41,027 in the previous year. Development Rebat Reserve gets Rs 11,00,000 against Rs 76,00,000 while Rs. 5,23,508 are transferred to general reserve against Rs 2,00,198. The amount set aside for Distribution of dividend

on preference and equity shares is Rs 35,76,000 against Rs 30,14,948.

Dunlop India

The 75 per cent power cut in Tamil Nadu from February this year has seriously affected the production of truck tyres in the country. Mr.R.G. S.Nairn, Chairman of Dunlop India Limited, said in Calcutta on may 14 that a severe shortage of automotive tyres could have major economic implications for the country. He said that a large part of Dunlop's marketing effort was directed at ensuring equitable distribution of truck tyres. Special steps had to be taken to ensure essential supplies for Defence and state transport undertakings. Mr. Nairn added, "No matter how effective the Tyre Companies are in controlling distribution this can at best only alleviate a severe shortage situation marginally." Mr Nairn, who was addressing the annual General Meeting of Dunlop India Limited, told shareholders that the Company had just received a letter of intent from government to increase capacity at the Ambattur factory by 200,000 truck tyres and tubes. After a full enquiry by the Monopolies and Restrictive Trade Practices Commission, and based on its recommendations, the government has issued to Dunlop a letter of intent for the manufacture of steel cord and textile reinforced conveyor belting and fan and V-belts at Goa. The company is now closely examining the details of this project. A letter of intent for the manufacture of 50,000 dozen tennis balls at the Sahaganj factory is being progressed.

Referring to the inflationary trend in costs of raw materials, Mr Nairn pointed out that since 1968, the compan'ys cost of production of automotive tyres and tubes increased by approximately 11 per cent up to the end of 1972. In addition, the recent central government budget will have the effect, in a full year, of further increasing raw material costs by as much as Rs 1.5 crores. A request for a price increase made early in 1971 by the tyre industry was referred to the Bureau of Industrial Costs and Prices. Mr Nairn expressed the hope that the rerquest to government to permit a reasonable price increase for automotive tyres and tubes would be considered favourably in the very near future. Mr Nairn said that although the previous expansion programme at the Ambattur factory was completed, and personal and service facilities were geared for this increased capacity, this extra capacity could not be utilised due to the Industrial unrest at Ambattur. The company, therefore had to absorb the additional ovserved costs, which led to the very sharp decline in profit before tax for 1972. However, in view of the substantial earnings retained during past years, and after giving full consideration to the unusual circumstances affecting trading results during 1972, the total dividend is being retained at Rs 2 per share, the same as in 1971

Analysing the company's export performance, Mr Nairn said that Dunlop India continued to be the largest exporter in the tyre industry in 1972 earning a total of Rs 3.22 crores. Extraordinary efforts had to be made on the export front to make up for the production losses suffered at the Ambattur factory due to industrial unrest. Mr Nairn said that Dunlop India was fully conscious of its responsibility to give increasing emphasis to Research and Development. The company now employs around 300 scientific and technical personnel of whom about 50 per cent work on development projects. Mr Nairn announced that Dunlop India will establish a Research and Development Centre for cycle tyres and tubes. Apart from serving its own needs this will enable Dunlop India to sell know-how to Dunlop companies all over the world. The project is due for completion in 1973-74. The company had spet backs last year, and 1973 is not likely to be a satisfactory year because of the production losses that are inevitable at the Ambattur factory due to the present drastic power cut. As these set-backs are of a short term nature, the company is looking forward to the future with optinnism.

MUSCO

Mahindra Ugine Steel Company has secured the letter of intent for effecting substantial expansion capacity to 60,000 tonnes of finished tool, alloy and special steels per annum. The approval of the government to the expansion programme has been received after an inordinate delay of nearly three years. Steps are being initiated to implement the expansion programme. The board of directors has proposed a dividend of 12.5 per cent on equity shares as against 10 per cent dividend declared last year. The working during the year under report resulted in a net profit of Rs 136.05 lacs (1971: Rs 28.46 lacs) after providing Rs 76.79 lacs for Depreciation (1971: Rs 82.20 lacs), Rs 3.01 lacs for Development Rebate Reserve (1971 Rs 73.46 lacs) and Rs 17.00 lacs for Taxation (1971 : Nil) and Rs 5.12 lacs for prior years' adjustments (1971: Rs 150.33 lacs). The entire net profit has been credited to general reserve, out of which the proposed equity dividend of 12.5 per cent and dividend of 9.3 per cent on cumulative redeemable preference shares would be paid. The preference and equity dividends together would absorb Rs 44.34 lacs against Rs 36.40 lacs last year. Sales and other income during the year under review

TEXTILE MACHINERY CORPORATION LIMITED

NOTICE

To the Shareholders

NOTICE is hereby given that the Thirty-third Annual General Meeting of TEXTILE MACHINERY CORPORATION LIMITED will be held on Friday, the 29th June, 1973 at 4 p.m. at the Registered Office of the Company at Belgharia, Calcutta-56 to transact the following business:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 31st December, 1972.

2. To declare Dividend on Preference Shares for the year ended 31st December, 1970.

3. To approve payment of Dividend on 380 8.928% Cumulative Redeemable Preference Shares of Rs. 100/- each redeemed during the year, for the year ended 31st December, 1970 and for the period 1st January, 1971 to 30th September, 1971, the date of redemption.

4. To appoint Directors in place of Shri K.K. Birla and Dr. S.C. Law who retire by rotation and are eligible for re-election.

5. To appoint Auditors and fix their remuneration.

The Register of Members of the Company will remain closed from 15th June, 1973 to 29th June, 1973, both days inclusive.

By order of the Board

O.P. Jhunjhunwala
Secretary.

Belgharia,
16th May, 1973.

N.B.

(1) A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member.

(2) Dividend, when declared, will be paid to the registered shareholders whose names would appear on the Company's Register on the 29th June, 1973 or to their order or to their Bankers.

totalled Rs 9.70 crores and was lower by 7.18 per cent compared with those during the preceding year owing to non-utlisation of surplus capacity in the rolling mill. During 1971 the company was able to achieve a higher output of finished steel through re-rolling operations on bought-out blooms and ingots. As for the working during the current year, the company's gross sales during the first quarter totalled Rs 237.25 lakhs against Rs 267.42 lakhs during the corresponding period of 1972. The order book position is satisfactory. The strategic importance of the company is vindicated by supplies of significant tonnages in exacting specifications to the defence estab'ishments in the country. Considerable progress has been made by the company in developing titanium stabilised stainless steel, low temperature steel, torsion bars for Vijayanta tank, crank shaft steel, etc. By virtue of high standard of quality and timely delivery, the company has been able to emerge as one of the leading alloy steel producers in the country. The company has received the bulk of capital plant and equipment under the balancing scheme and these are in the process of being erected. The recent enhancement in the power tariff rates by the government of Maharashtra and the upward trend in the price of scrap, which constitutes the most important input for the plant, coupled with the acute shortage of heavy melting scrap, are causing concern to the management.

Coromandel Fertilisers

Despite numerous constraints the performance of Coromandel Fertilisers in 1972 was excellent. Production exceeded the previous year's level by six per cent. Thanks to the high calibre and ingenuity of the personnel the capacity utilisation was as high as 92 per cent as against 85 per cent achieved in 1971. The fine work, keen observation and quick adaptation to changing situations exhibited by the marketing staff too has enabled the company to achieve a high volume of sales. Despite a prolonged dry spell and its consequences, with the energetic help rendered by the sales agents nearby 75 per cent of the product was sold in the marketing zone comprising Andhra Pradesh, Madhya Pradesh and Orissa. The company's proposal for expansion is in advanced stage and the government's approval is expected shortly. Encouraged by the all-round improvement in working results a modest maiden dividend of eight per cent has been declared for 1972. These were spotlighted by the Chairman, Dr Bharat Ram while addressing the annual general meeting of the company.

The Coromandel Lecture has acquired a prominent place in the activities of the company. The husbandry of finite sources leading to a better life for the millions in the developing countries was the central point of the lecture on "Agriculture on Spaceship Earth" which was delivered by an outstanding scientist this year. The company also distributed the Borlaug Award which was instituted by the company for outstanding research in agriculture to five young Indian scientists for their interdisciplinary co-operation and contribution to advancing the striking phenomenon of a sucessful wheat programme in the country. The company believes that such a symbolic relationship between industry and research centres will yield good results to advance national interest.

The company had its share of anxieties. The escalation in costs had been unremitting—almost all cost factors such as raw materials, freight and power have shown an upward trend. Wagon availability continued to cause anxiety and often led to additional costs. The Essential Commodities Act too was clamped on the fertizer industry. The company hopes that this will be temporary and will be withdrawn at the earliest. Despite numerous contraints, most of which are the direct results of external factors, the company has emerged from a position of potential strength to a new high of sound promise and performance.

Although it is universally accepted that agricultural base must be strong and self reliant and merits priority, the authorities concerned have failed to treat an important input, such as fertilizer as worthy of special treatment. The chairman hoped that the state government would exempt fertilizer units from power cuts not only in the interest of the maximising production of a very critical product but also to spare the expensive and sophisticated plant and equipment from severe thermal shocks caused by erratic power supply.

News and Notes

(*Expansion and diversification*)

Kothari (Madras) Ltd is further diversifying its line of manufacture by the addition of a 100 ton per day caustic soda plant in Madras for which an application has been made to the government and the letter of intent is expected by July-August this year. The capital cost of this project will be about Rs 7.5 crores to Rs 8 crores. The company also intend to make ammonium chloride by fully utilising the chlorine from the caustic soda plant and ammonia from the Madras Fertilisers Limited. The ammonium chloride will, in turn, be used in the company's own fertiliser mixing Department. It is also proposed to set up a watch manufacturing unit, eventually manufacturing 500,000 watches per year. This will be with Swiss collaboration and, here also, the necessary clear-

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher dividend			
Khandelwal Udyog	December 31, 1972	9.0	5.0
Rayalaseema Mills	December 31, 1972	12.0	10.0
Coorg Tea Company	March 31, 1973	14.0	10.0
Ultramarine and Pigments	December 31, 1972	18.0	15.0
Pudumjee Pulp and Paper Mills	December 31, 1972	10.0†	Nil
Same dividend			
Radhakrishna Mills	December 31, 1972	10.0	10.0
Chemo Pahrma Laboratories	December 31, 1972	12.0	12.0
Udayagiri Rubber	December 31, 1972	Nil	Nil
Alembic Glass	December 31, 1972	12.0	12.0
Alembic Chemical Works	December 31, 1972	12.0	12.0
Shree Digvijay Cement	December 31, 1972	12.0	12.0
Reduced dividend			
Gourepore Company	December 31, 1972	10.0	12.5
Thamarapally Rubber Company	December 31, 1972	10.0*	15.0

*On enlarged capital
†Maiden dividend

ance from the government is expected in the next few months. The caustic soda plant is expected to generate a profit between Rs 2 crores to 3 crores per year, subject to depreciation and taxation and the watch unit should generate Rs 1 crore in course of time. There will, therefore, be a substantial addition to the profit earning capacity of the company within the next three or four years. To finance this expansion of about Rs 10 crores to Rs 11 crores, for both caustic soda and watch plants, it is proposed to increase the equity base of the company in due course by offering right shares to the existing shareholders and others and obtain medium term loans from banks and financial institutions. Both the caustic soda and the watch units will be in operation by about 1975-76. In a normal year's working, the company should be able to make a profit of Rs 1.25 to Rs 1.5 crores which should be sufficient to pay a dividend of 15 per cent on the equity shares.

As far as the textile and plantations are concerned, a considerably large programme of modernisation and renovation has been undertaken, a good portion of which is already well on the way. By 1975-76 the textile department would have invested about Rs 2 crores in modernisation and renovation and the plantations department about Rs 1 crore, largely from internal generation and, to some extent, from medium-term borrowings. This should also add to the profitability of the company, both in respect of further diversification of the production pattern of our textiles division and increased yields of both tea and coffee.

New Issues

Mirch Mirex, formed by the amalgamation of Mirex Heat Transfer Pvt. Ltd, Mirch Process Plants Pvt. Ltd and G. Mirch Associates Pvt. Ltd, is entering the capital market towards the end of June with a public issue of Rs 35 lakhs comprising equity capital of Rs 25 lakhs in shares of Rs 10 each and preference capital of Rs 10 lakhs in shares of Rs 100 each. The proceeds of the issue will be utilised to meet a part of the cost of the company's expansion programme which is estimated to cost Rs 95 lakhs.

Currently the company is engaged in the manufacture of machinery and equipment such as heat exchangers, gas drying plants, circulating oil systems and standard synthetic resin plants. The company is expanding its production facilities by about 2000 tunnes to 2500 tonnes of steel fabrication a year. It is also setting up a new factory at Thana. The company is adding a new activity to its range by undertaking the manufacture about 400 tonnes of certain chemicals annually which are imported at present. The design manufacture and construction of chemical plant and equipment is proposed to be expanded from the present level of Rs 50 lakhs to Rs 3 crores over the next three years.

The Rs 95 lakhs expansion programme will be financed by share capital of Rs 50 lakhs, bank borrowings of Rs 25 lakhs and internal resources of Rs 20 lakhs. It is hoped that the company would be able to declare a dividend of at least 10 per cent for the first year. This would be gradually stepped up to 20 per cent in three years.

Vidarbha Iron & Steel Corporation is setting up a mini-steel plant and a re,rolling mill in Nagpur, and is expected to pay a maiden equity dividend of 10 pcr cent for 1974, the first year of its operations. It is entering the capital market on June 7 with an issue of Rs 30 lakhs divided into three lakh equity shares of Rs 10 each at par. The company's promoters, directors and associates have taken up equity shares worth Rs 20 lakhs. The project is estimated to cost Rs 1.20 crores and will be financed by share capital of Rs 50 lakhs, a loan of Rs 50 lakhs from SICOM and a loan of Rs 20 lakhs from Maharashtra State Financial Corporation. The company's 10-12 tonnes arc furnace is expected to commence production by the end of 1973. Its rolling mill section, with a capacity of 30,000 tonnes of steel angles, channels, etc., is expected to commence commercial production by January 1974.

The company hopes to earn a gross profit of Rs 37.70 lakhs for 1974. its profit is expected to increase to Rs 39.13 lakhs for 1975 and further to Rs 40.56 lakhs for 1976. According to the company's chairman. Mr Jayant Dalal, company will be able to raise its dividend to 12 per cent, in its second year. The dividend is expected to be raised further to 15 per cent for 1976.

It does not expect any difficult in procuring steel scrap, a basic raw material. It is not likely to face a marketing problem in view of the acute shortage of steel products.

Company Meetings

Bharat Commerce and Industries Ltd: Surya Kiran, Fifth Floor, 19 Kasturba Gandhi Marg New Delhi 110001, June 19: 4 PM.

The Finlay Mills Ltd: Tata Auditorium, Bombay House, Homi Mody Street, Fort Bombay: June 6;4 PM.

The Gold Mohur Mills Ltd. Tata Auditorium, Bombay House. Homi Mody Street Fort Bombay: June 7: 4. PM.

Readers' Roundtable

Standard of Living and Agricultural Population

IN ORDER to find out whether there is any relationship between the standard of living in a country expressed in terms of the per capita income and the percentage of population engaged in Agriculture in that country, I collected the following information from 1. UN Statistical Year Book 1968. 2. CSO and 3. ILO Year Book of Labour Statistic 1969.

Country	Per capita annual income in rupees	Percentage of population engaged in Agriculture
India	542	72.9
UAR	1245	56.6
Canada	15655	12.1
USA	24773	6.5
Ceylon	990	48.6
Japan	6908	24.3
Pakistan	810	75.0
Phillipine	1748	60.0
France	13035	19.8
Germany, W.	11340	13.4
Italy	7650	28.3
UK	11700	3.1
Australia	13650	9.4

The per capita annual incomes were all in dollars as calculated by the Statistical Office of the United Nations and they have been converted into rupees at the rate of Rs 7.5 to a dollar.

The correlation coefficient was calculated and was found to be r = —0.86. At 1 per cent significant level the value was —0.68. That means the relationship is highly significant.

It shows that the per capita income is highest where the percentage of the population engaged in agriculture is lowest and vice-versa. It also shows that so long as we in India do not reduce the pressure on land and agriculture by providing alternative employment opportunities in Industry, Mining, Transport, Commerce etc., there is no salvation for India. Dividing the land among the landless will only prolong the agony, instead of quickly raising the standard of living of the people.

Madras

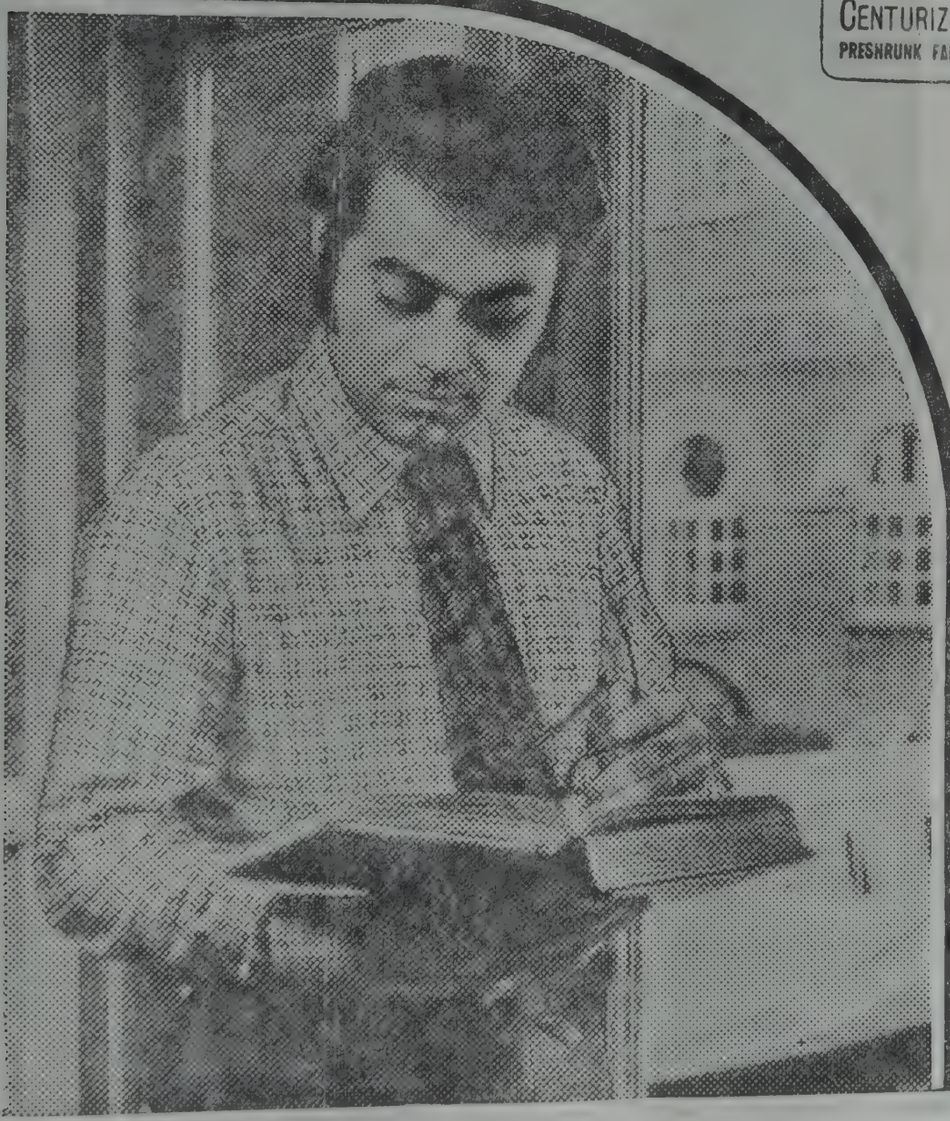
Sd.
V. Natarajan

COTTON COMFORT OF THE CENTURY

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RECORDS AND STATISTICS

Finances of foreign companies

THIS STUDY by the department of Statistics of the Reserve Bank of India analyses the financial results of the working of 216 branches of foreign companies and 407 foreign controlled rupee companies operating in India during 1969-70. It is based on the accounts closed during the period April 1, 1969 to March 31, 1970.

The total assets of the 216 branches of foreign companies accounted for about 93 per cent of the estimated book value of the total assets held in India by all such branches of foreign companies as at the end of March 1970. The selected 407 foreign controlled rupee companies accounted for about 90 per cent of the total paid-up capital of all non-financial, non-government foreign controlled rupee companies as at the end of March 1970.

In the case of branches of foreign companies, date for companies having their places of incorporation in the UK and the USA are presented separately and those for all the remaining companies are grouped under 'other countries'. As regards foreign countrolled rupee companies, data for companies having their country of controlling interest in the UK, the USA, West Germany and Switzerland are presented separately. Industry-wise, data in respect of branches of foreign companies are presented for four important industrial groups, viz., tea plantations, manufacturing, trading and 'other industries'. As regards foreign controlled rupee companies, data are presented for four main industrial groups, viz., agriculture and allied activities, processing and manufacture, trading and 'other industries'; the group 'processing and manufacture' is further divided into 10 industrial sub-groups.

The total assets of the branches of the UK companies constituted about 79 per cent of the total assets held in India of the 216 selected branches of foreign companies. The UK controlled rupee companies accounted for 62 per cent of the total paid-up capital of the 407 selected foreign controlled rupee companies. Industry-wise, tea plantations and trading companies accounted for 33 per cent and 34 per cent, respectively, of the total assets held in India of the selected branches of foreign companies. The main group 'processing and manufacture' constituting 330 companies out of the 407 selected foreign controlled rupee companies accounted for 89 per cent of the total paid-up capital of the selected companies.

branches

Value of production of the 216 branches of foreign companies increased marginally by 0.7 per cent from Rs. 908 crores in 1968-69 to Rs. 914 crores in 1969-70. Sales showed an increase of 1.5 per cent from Rs. 913 crores in 1968-69 to Rs. 926 crores in 1969-70 (Table I). Industry-wise, sales and value of production of the manufacturing group improved by 4.2 per cent and 1.9 per cent from Rs. 159 crores and Rs. 161 crores in 1968-69 to Rs. 166 crores and Rs. 164 crores, respectively, in 1969-70. Sales as well as value of production of the trading group increased only marginally. In the case of 'tea plantations', which constituted about 50 per cent of the selected companies, sales increased by 11.4 per cent while value of production remained almost the some. As regards 'other industries', though value of production increased by 5.2 per cent sales declined substantially by 12.9 per cent. Country-wise, companies incorporated in the USA fared better than the other companies during the year under study in respect of their sales and value of production; aggregate sales of these companies moved up by 6.2 per cent from Rs. 188 crores to Rs. 200 crores. Sales of the branches of the UK companies increased marginally by about one per cent while value of production moved down nominally by 0.5 per cent.

static expenditure

The total expenditure as well as the pattern of expenditure remained almost the same both the years. About two-thirds of the total expenditure (Rs. 891 crores) was for consumption of raw materials, components, etc. Pre-tax profits increased by 31.2 per cent from Rs. 24 crores in 1968-69 to Rs. 32 crores in 1969-70. Tax provision having declined from 83.5 per cent to 70.8 per cent of the profits before tax, the profits after tax more than doubled from four crores of rupees in 1968-69 to nine crores of rupees in 1969-70.

Industry-wise, the pre-tax profits of 'tea plantations' stood at seven crores of rupees in 1969-70 compared with the pre-tax loss of one crore of rupees in the previous year. The pre-tax profits of manufacturing group declined by 10 per cent from Rs. 11 crores in 1968-69 to Rs. 10 crores in 1969-70. In the case of trading and 'other industries' groups, the pre-tax profits showed only nominal increases.

profitability ratio

The profitability ratios, viz., gross profits as percentage of sales and gross profits as percentage of total capital employed, improved from 3.3 and 5.7 in 1968-69 to 4.1 and 7.2, respectively, in 1969-70 (Table II). Industry-wise, only the tea plantations group recorded significant improvement in both the ratios; the profit margin on sales as indicated by the ratio of gross profits to sales increased from 0.8 per cent in 1968-69 to 7.5 per cent in 1969-70 and the return on total capital employed as measured by the ratio of gross profits to total capital employed from 0.4 per cent in 1968-69 to 4.8 pre cent in 1969-70. Both the profitability ratios for 'trading and 'other industries' groups showed marginal increases while in the case of manufacturing group these ratios declined from 7.6 per cent and 14 per cent in 1968-69 to 6.7 per cent and 12.1 per cent, respectively, in 1969-70.

Country-wise, the two profitability ratios indicated a better performance for all the three groups. The profitability was the highest in the case of branches of companies incorporated in the USA.

There was depletion to the extent of three crores of rupees in total gross assets during 1969-70. This was due to a substantial decline in gross assets of 'tea plantations' group (Rs. 10 crores) followed by trading (five crores of rupees) offsetting the increase in the groups 'manufacturing' and 'other industries' (six crores of rupees each). Among the individual items, the decrease was mainly attributable to the reduction under inventories on the 'uses' side and 'trade dues and other current liabilities' on the 'sources' side. The depletion in

both these items was to the tune of Rs. 11 crores each. On the 'sources' side, even though there was an increase of Rs. 11 crores in 'internal sources', 'external sources' declined by Rs| 14 crores.

The pattern of assets and liabilities was broadly the same in both the years. The share of net fixed assets in total assets remained unchanged around 38 per cent while 'inventories' accounted for 30.1 per cent of the total assets in 1969-70 as against 31.7 per cent in 1968-69. 'Loans and advances and other debtor balances' constituted 22.1 per cent of the total assets in 1969-70, compared to 21.5 per cent in 1968-69. On the liabilities side, borrowings accounted for about 19 per cent of the total liabilities in both the years while the share of 'trade dues and other current liabilities' went down from 28.9 per cent in 1968-69 to 27.3 per cent in 1969-70.

Foreign Controlled Rupee Companies

Sales of 407 selected foreign controlled rupee companies registered an increase of Rs. 292 crores or 15.5 per cent from Rs. 1883 crores in 1968-69 to Rs. 2175 crores in 1969-70 while value of production increased by Rs 284 crores (15 per cent) from Rs. 1900 crores to Rs. 2184 crores during the same period (Table III). All the main industry groups contributed to the overall rise in sales as well as value of production. The main industry group 'processing and manufacture' which claimed more than 86 per cent of total sales as well as value of production of all selected companies showed an increase of Rs. 272 crores (16.9 per cent) in sales and Rs. 270 crores (16.6 per cent) in value of production in 1969-70. All the specified industrial sub-groups under this main group contributed to the rise in sales and value of production of trading companies were 6.8 per cent and 6.4 per cent respectively, during the year under study. In the case of 'other industries' even though sales increased by 16.3 per cent, the value of production showed only a nominal rise.

Country-wise, companies controlled by the USA and West Germany fared better than the others in respect of sales and value of production. The sales of these two groups of companies increased by 28.6 per cent and 27.4 per cent, respectively, and value of production by about 26 per cent in both the country groups in 1969-70. The rates of growth in sales as well as value of production of the UK controlled companies were 13.1 per cent and 12.7 per cent, respectively, while in the case of Switzerland controlled companies the corresponding rates were 11.6 per cent and 9.7 per cent, in 1969-70.

The total expenditure of the selected companies increased by 12.8 per cent from Rs. 1777 crores to Rs. 2005 crores in 1969-70. The pattern of expenditure was almost the same in both the years. Consumption of raw materials, components, etc., accounted for about half of the total expenditure followed by 'excise duty and cess' and 'salaries, wages and bonus' each constituting about 11 per cent.

gross profits

Gross profits of the selected companies rose by 33 per cent from Rs. 194 crores to Rs 258 crores in 1969-70. The interest payments showed only a nominal increase and as a result pre-tax profits registered an increase of 42 per cent in 1969-70. Tax provision constituting 48.7 per cent of the profits before tax amounted to Rs. 104 crores in 1969-70 as against Rs. 83 crores in the previous year. Consequently, profits after tax recorded substantial rise of Rs. 42 crores. In spite of enhanced dividend payments profits retained in business increased substantially from Rs. 18 crores to Rs. 48 crores in 1969-70. Industry-wise, except 'trading' the gross profits of which remained unchanged, all other main groups participated in the overall rise in gross profits. Gross profits of "agriculture and allied activities" recorded maximum rise of about 44 per cent while the rise was comparatively less pronounced in 'processing and manufacture' (about 36 per cent). Among the individual industries under 'processing and manufacture' basic industrial chemicals showed a substantial increase of about 133 per cent in gross profits followed by aluminium (42.8 per cent) electrical machinery (41.9 per cent), foundries and engineering workshops and ferrous|nonferrous metal products (40.7 per cent) and machinery other than transport and electrical (38.1 per cent). Inspite of the increase in tax provision and dividend distribution, the companies in 'agriculture and allied activities' and 'processing and manufacture' groups could retain in business higher profits at 36.1 per cent and 46.8 per cent of profits after tax in 1969-70 compared with 32.9 per cent and 27.3 per cent, respectively, in 1968-69. In the case of 'trading' group the companies had to withdraw more from reserve in 1969-70 than in 1968-69 for making dividend payments. The analysis according to the country of controlling interest showed that all the five country groups registered increases in gross profits as well as in pre-tax profits, the USA controlled companies accounting for a proportionately larger increase in both gross profits and profits before tax. The companies in all the selected country groups not only disbursed more dividends but also could retain more profits in business in 1969-70 than in the previous year.

All the profitability ratios showed improvement in 1969-70 (Table IV). The profit margin on sales increased from 10.3 per cent in 1968-69 to 11.9 per cent in 1969-70. The return on total capital employed and the return on shareholders' equity were also higher at 14 per cent and 13.4 per cent in 1969-70 than 11.2 per cent and 9.1 per cent, respectively, in 1968-69. Industry-wise, the profitability ratios in the case of 'agriculture and allied activities' and 'processing and manufacture' contributed to the increase in the profitability ratios. In the case of 'trading' group all the profitability ratios moved down marginally in 1969-70. Country-wise, almost all the profitability ratios went up, the increase being more pronounced in the case of USA controlled companies.

fixed assets

The gross assets formation of the selected foreign controlled rupee companies amounted to Rs 167 crores in 1969-70. The gross fixed assets formation most of which was in the form of additions to plant and machinery (62 per cent) amounted to Rs 102 crores and accounted for more than 61 per cent of the total assets formation this was followed by 'loans and advances and other debtor balances' (Rs 35 crores) accounting for 21 per ent. Internal sources provided Rs 121 crores or 72.5 per cent of the total funds. The depreciation provision being the major source of finance contributed Rs 66 crores or 54.6 per cent of the total internal sources. 'Trade dues and other current liabilities' at Rs 25 crores and paid-up capital at Rs 17 crores together accounted for 92.5 per cent of the total external sources. The contribution from borrowings at three crores of rupees was very small.

The total assets of the 407 companies rose by Rs 108 crores from Rs 1735 crores in 1968-69 to Rs 1843 crores in the succeeding year. The pattern of assets and liabilities was broadly similar during both these years. The shares of net fixed assets, inventories and 'loans and advances and other

debtor balances' in the total assets were around 41 per cent, 30 per cent and 22 per cent, respectively in both the years. On the liabilities side, share capital and 'trade dues and other current liabilities' constituted about 27 per cent and 18 per cent, respectively, of the total liabilities in both years, while the proportion of borrowings declined from 34.1 per cent in 1968-69 to 32.3 per cent in 1969-70.

Relative performance of Foreign Controlled Rupee Companies and Indian Controlled Rupee Companies: Data on profitability ratios and rates of asset formation pertaining to foreign controlled rupee companies and Indian controlled rupee companies (included in the studies on 1501 public and 701 private limited companies) are presented in Table V and VI. All the profitability ratios for the foreign controlled as well as Indian controlled rupee companies recorded moderate increases during the year under study. The level of profitability ratios was substantially higher in the case of foreign controlled rupee companies. The rates of gross assets formation and capital formation were also higher in the case of foreign controlled rupee companies.

TABLE I

Combined Income Value of Production and Expenditure Account of 216 Selected Branches of Foreign Companies, 1968-69 and 1969-70

(Lakhs of rupees)

	All companies (216)		Companies classified under							
			Manufacturing (24)		Trading (49)		Tea plantations (105)		Other industries (38)	
	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70
	1	2	3	4	5	6	7	8	9	10
Income and Value of Production										
1. Gross sales	913.78	927.79	159.53	166.39	589.39	591.48	108.18	120.40	56.68	49.52
2. Sales, net of rebate and discount	912.87	926.45	158.99	165.65	589.17	591.14	108.03	120.32	56.68	49.34
3. Increase (+) or decrease (—) in value of stock of finished goods and work-in-progress	—5.29	—12.30	2.36	—1.20	—1.56	—2.69	2.71	—9.43	—8.80	1.02
4. Value of production (2+3)	907.58	914.15	161.35	164.45	587.61	588.45	110.74	110.89	47.88	50.36
5. Other income	7.66	8.52	1.47	1.70	4.09	4.22	92	1.31	1.18	1.29
6. **Total (4+5)**	915.24	922.67	162.82	166.15	591.70	592.67	111.66	112.20	49.06	51.65
Expenditure										
7. Raw materials, components, etc. consumed	587.75	591.18	78.52	78.04	496.47	499.54	25	21	12.51	13.39
8. Stores and spares consumed	26.54	25.95	6.81	6.82	6.96	6.51	12.17	11.93	60	69
9. Power and fuel	13.43	13.98	1.66	1.86	48	44	3.97	4.05	7.32	7.63
10. Other manufacturing expenses	3.37	3.82	91	91	14	13	1.16	2.26	1.16	52
11. Salaries, wages and bonus	78.38	78.71	19.25	19.98	16.44	15.75	34.58	33.82	8.11	9.16
12. Provident fund	5.26	5.00	1.03	1.07	1.46	96	2.38	2.51	39	46
13. Employees' welfare expenses	12.89	15.71	88	1.07	3.21	5.88	8.46	8.43	34	33
14. Remuneration to agents, secretaries and managing agents, etc.	1.14	1.29	7	5	10	7	94	1.13	3	4
15. Repairs to buildings	2.81	2.87	41	39	22	27	1.92	1.90	26	31
16. Repairs to machinery	5.74	5.63	1.46	1.59	78	73	2.00	1.84	1.50	1.47
17. Bad debts	26	36	3	20	9	3	—	—	14	13
18. Selling commission	5.65	5.53	1.54	1.64	55	63	3.45	3.14	11	12
19. Excise duty and cess	28.78	29.58	20.31	22.91	1	1	8.46	6.66	—	—
20. Other expenses	100.37	92.14	16.07	16.42	49.92	46.87	27.27	21.43	7.11	7.42
21. Depreciation provision	11.44	12.11	1.59	1.96	3.38	3.27	3.62	3.67	2.85	3.21
22. Other provisions (other than tax provision)	85	57	15	22	18	5	19	20	33	10
23. Gross profits	30.58	38.24	12.13	11.02	11.31	11.53	84	9.02	6.30	6.67
24. Less Interest	6.28	6.36	1.15	1.14	2.40	2.25	1.93	2.20	80	77
25. Profits before tax	24.30	31.88	10.98	9.88	8.91	9.28	—1.09	6.82	5.50	5.90
26. Less Tax provision	20.30	22.58	7.67	6.93	6.47	7.43	2.39	4.92	3.77	3.30
27. Profits after tax	4.00	9.30	3.31	2.95	2.44	1.85	—3.48	1.90	1.73	2.60
28. **Total (7 to 23)**	915.24	922.67	162.82	166.15	591.70	592.67	111.66	112.20	49.06	51.65

Note : Figures in brackets in the captions denote the number of companies.

TABLE III

Combined Income, Value of Production, Expenditure and Appropriation Accounts of 407 Selected Foreign Controlled Rupee Companies, Industry-Wise : 1968-69 and 1969-70

	All Companies (407)		Agriculture and Allied activities (9)		Processing and Manufacture (Total 330)		Trading (43)		Other Industries (25)	
	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70
	1	2	3	4	5	6	7	8	9	10
Income and Value of Production										
1. Gross sales	1,887,57	2,179,19	75,82	77,45	1612,37	1884,35	147,03	156,52	52,35	60,87
2. Sales, net of rebate and discount	1883,33	2175,48	75,82	77,45	1608,64	1880,66	146,51	156,51	52,35	60,87
3. Increase (+) or decrease (—) in value of stock of finished goods and work-in-progress	16,66	8,95	—1,08	1,76	15,35	13,62	35	—21	2.04	—6,21
4. Value of production (2+3)	1899,99	2184,44	74,74	79,20	1623,99	1894,28	146,86	156,30	54,40	54,66
5. Other income	26,27	33,49	51	52	23,18	29,80	1,76	1,70	1,41	1,47
6. **Total (4+5)**	1926,86	2217,93	75,25	79,72	1647,17	1924,08	148,63	158,00	55,81	56,13
Expenditure and Appropriations										
7. Raw materials, components etc. consumed	903,34	1032,63	46,42	48,61	732,89	851,31	118,06	125,64	5,97	7,07
8. Stores and spares consumed	69,69	82,08	4,82	5,62	62,85	74,24	98	1,08	1,04	1,15
9. Power and fuel	40,78	46,83	30	31	40,04	46,04	16	18	28	30
10. Other manufacturing expenses	29,60	35,35	16	16	13,25	20,09	22	30	15,97	14,79
11. Salaries, wages and bonus	204,28	225,55	6,38	6,59	180,03	199,92	10,65	11,24	7,22	7,79
12. Provident fund	13,25	15,05	40	42	11,80	13,52	66	70	39	41
13. Employees' welfare exp.	15,28	16,24	49	53	13,64	14,30	77	98	38	43
14. Remuneration to managing agents, secretaries and treasurers, managing directors, etc.	6,79	6,94	16	13	5,90	6,07	44	40	29	33
15. Repairs to buildings	4,00	4,57	9	12	3,71	4,26	17	17	3	3
16. Repairs to machinery	15,54	18,25	19	23	15,25	17,90	7	7	4	5
17. Bad debts	1,31	1,98	1	1	1,04	1,24	19	21	7	52
18. Selling commission	16,93	18,79	30	32	15,93	17,36	62	1,05	7	6
19. Excise duty and cess	209,38	231,03	4,48	3,63	204,53	227,07	38	33	—	—
20. Other expenses	136,15	152,51	6,70	6,96	114,12	131,83	9,85	10,11	5,49	3,61
21. Depreciation provision	65,26	70,47	48	53	59,36	64,09	65	75	4,77	5,10
22. Other provisions (other than tax provision)	1,16	1,67	11	15	1,02	1,48	3	3	—	1
23. Gross profit	194,12	257,99	3,77	5,41	171,81	233,34	4,75	4,75	13,79	14,49
24. Less interest	43,93	44,69	42	25	38,62	36,65	1,87	1,99	3,01	2,79
25. Profit before tax	150,18	213,30	3,35	5,15	133,18	193,69	2,87	2,75	10,78	11,70
26. Less tax provision	82,87	103,96	1,86	2,99	75,44	92,91	2,06	2,07	3,51	6,00
27. Profit after tax	67,32	109,34	1,49	2,16	57,74	100,79	81	69	7,27	5,70
(a) Dividends	49,19	61,22	1,00	1,38	41,98	53,63	1,13	1,12	5.08	5,10
(i) Ordinary	47,56	59,64	99	1,38	40,50	52,19	1,01	99	5,06	5,08
(ii) Preference	1,64	1,58	—	—	1,49	1,44	13	13	2	1
(b) Profits retained	18,13	48,12	49	78	15,76	47,16	—32	—43	2,20	60
28. **Total (7 to 23)**	1926,86	2217,93	75,25	79,72	1647,17	1924,08	148,63	158,00	55,81	56,13

TABLE II

Profitability Ratios of Branches of Foreign Companies: 1968-69 and 1969-70

	Gross profits as percentage of sales		Gross profits as percentage of total capital employed	
	1968-69	1969-70	1968-69	1969-70
All Companies	3.3	4.1	5.7	7.2
Companies classified under				
(i) Manufacturing	7.6	6.7	14.0	12.1
(ii) Trading	1.9	2.0	6.5	6.7
(iii) Tea plantations	0.8	7.5	0.4	4.8
(iv) Other industries	11.1	13.5	8.2	8.3
Companies incorporated in				
(i) UK	3.1	4.1	4.6	6.1
(ii) USA	4.9	5.4	10.9	12.4
(iii) Other countries	1.8	1.9	7.0	7.5

TABLE IV

Profitability Ratios of 407 Selected Foreign Controlled Rupee Companies: 1968-69 and 1969-70

	Gross profits as percentage of sales		Gross profits as percentage of total capital employed		Profits after tax as percentage of net worth		Dividends as percentage of paid-up capital		Dividends as percentage of net worth	
	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70
	1	2	3	4	5	6	7	8	9	10
All Companies	10.3	11.9	11.2	14.0	9.1	13.4	10.6	12.3	6.7	7.5
Companies classified under										
(i) Agriculture and allied activities	5.0	7.0	13.2	16.8	9.6	13.2	10.9	15.0	6.4	8.4
(ii) Processing andmanufacture	10.7	12.4	11.4	14.5	8.8	13.8	10.3	12.2	6.4	7.3
1. Aluminium	17.9	20.0	9.2	12.2	10.9	18.7	11.7	11.6	6.4	5.6
2. Transport equipment	10.9	11.2	10.3	11.5	7.5	10.4	7.1	8.5	4.8	5.5
3. Electrical machinery	9.5	11.2	9.6	13.0	8.5	13.8	7.4	10.5	4.1	5.5
4. Machinery (other than transport and electrical)	10.8	12.6	8.3	10.6	7.8	13.8	4.6	6.0	3.8	4.6
5. Foundries and engineering workshops and ferrous/non-metal products	8.1	10.5	8.7	12.3	6.4	11.5	6.0	8.1	3.7	4.7
6. Basic industrial chemicals	8.1	14.6	4.5	9.2	—3.6	8.9	5.1	6.7	4.4	5.6
7. Medicines and pharmaceuticals preparations	19.7	22.0	24.4	29.5	18.3	21.6	19.7	20.4	10.1	10.6
8. Other chemical products	7.5	7.8	14.4	16.5	10.2	12.5	11.4	11.3	7.6	8.0
9. Mineral oils	40.7	39.5	17.8	20.0	12.3	13.8	29.1	41.2	12.8	19.3
10. Processing and manufacture—others	8.5	9.1	15.7	17.4	12.0	14.0	12.6	14.0	7.2	7.4
(iii) Trading	3.2	3.0	6.1	5.7	3.8	3.2	9.1	8.9	5.3	5.2
(iv) Other industries	26.3	23.8	10.9	12.4	15.5	12.0	15.1	15.2	10.8	10.7
Companies with controlling interest in										
(i) UK	8.8	9.5	11.1	12.7	8.9	11.2	11.4	12.0	7.3	7.7
(ii) USA	13.6	18.2	9.6	16.1	7.2	17.5	8.6	14.7	5.0	8.1
(iii) West Germany	15.6	15.4	12.8	14.3	11.9	16.1	6.7	7.3	4.8	4.9
(iv) Switzerland	10.4	11.3	14.0	15.6	12.1	13.1	9.9	11.6	5.7	5.3
(v) Other countries	14.3	16.5	12.7	15.4	11.6	16.3	11.2	12.7	7.1	7.4

TABLE V

Profitability Ratios: 1968-69 and 1969-70

	Gross profits as percentage of sales net of rebate and discount		Gross profits as percentage of total capital employed		Profits after tax as percentage of net worth		Dividends as percentage of paid-up capital		Dividends as percentage of net worth	
	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70	1968-69	1969-70
	1	2	3	4	5	6	7	8	9	10
1. 216 Branches of foreign companies	3.4	4.1	5.7	7.2	—	—	—	—	—	—
2. 407 foreign controlled rupee companies	10.3	11.9	11.2	14.0	9.1	13.4	10.6	12.4	6.7	7.5
3. 1926 Indian controlled public and private limited companies	6.6	6.9	7.3	7.9	5.4	7.2	7.2	7.4	4.3	4.3
4. 1501 Public limited companies	7.9	8.6	8.4	9.4	6.8	9.3	8.5	9.2	5.1	5.4
of which,										
(i) 214 Foreign controlled rupee companies	10.8	12.0	11.9	14.4	10.3	13.8	10.9	12.6	6.8	7.7
(ii) 1287 Indian controlled rupee companies	6.8	7.2	7.1	7.7	5.4	7.3	7.5	7.7	4.4	4.4
5. 701 Private limited companies	5.7	5.9	9.5	10.0	6.2	7.3	6.7	7.2	4.1	5.2
of which,										
(i) 62 Foreign controlled rupee companies	7.8	9.5	11.2	13.6	8.5	11.1	16.1	21.1	6.7	7.3
(ii) 639 Indian controlled rupee companies	5.2	5.1	9.1	9.0	5.5	6.0	4.9	4.8	3.3	3.2

TABLE VI

Rates of Growth : 1969-70

(Per cent per annum)

	Gross fixed assets formation	Net fixed assets formation	Inventory accumulation	Gross capital formation	Net capital formation	Gross Total assets	Total assets
1. 407 Foreign controlled rupee companies	10.0	6.1	4.6	8.2	5.5	8.2	6.2
2. 1926 Indian controlled public and private limited companies	6.6	3.1	8.9	7.3	5.7	7.9	7.0
3. 1501 Public limited companies	7.3	3.8	7.8	7.4	5.5	8.0	6.7
of which,							
(i) 214 Foreign controlled rupee companies	10.0	6.2	5.5	8.5	5.9	8.3	6.4
(ii) 1287 Indian controlled rupee companies	6.5	3.1	8.6	7.1	5.4	7.9	6.9
4. 701 Private limited companies	8.1	3.7	10.5	9.1	7.5	8.0	6.9
of which,							
(i) 62 Foreign controlled rupee companies	6.0	2.7	6.7	6.3	5.1	5.3	4.4
(ii) 639 Indian controlled rupee companies	8.6	4.0	11.6	9.8	8.2	8.7	7.5

Wholesale prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962=100) advanced by 2.0 per cent to 217.2 in February, 1973 as against 213.0 for January, 1973. The index for February, 1973 was higher by 13.6 per cent when compared to February, 1972. The rise in the all commodity index during February, 1973 as compared to January, 1973 was shared by an advance in all the constituent groups. The rise was of the following order:- food articles (2.3 per cent to 251.1), liquour & tobacco (0.5 per cent to 241.8), fuel, power, light & lubricants (0.2 per cent to 182.0), industrial raw materials (4.9 per cent to 233.3), chemicals (0.1 per cent to 202.4), machinery & transport & equipment (0.2 per cent to 170.3) and manufactures (1.0 per cent to 181.2).

Food articles

The sub-group index for 'cereals' rose by 3.0 per cent to 242.9 due to higher prices of all the cereals (except ragi which fell slightly). The sub-group index for 'pulses' moved up by 0.3 per cent to 345.1 due to an increase in the prices of arhar and moong. The prices of gram, masur and urad, however declined. On the whole the index for 'food grains' moved up by 2.3 per cent to 261.4. At this level the index for 'foodgrains' was higher by 17.9 per cent when compared to that of a year ago. A rise of 5.8 per cent to 221.9 in the sub-group index for 'fruits & vegetables' was caused by higher prices of potatoes, oranges and bananas. The prices of onions and cashewnuts, however, declined. The sub-group index for 'milk & milk products' registered a rise of 3.4 per cent to 231.5 on account of an increase in the prices of milk & ghee. Higher prices of groundnut oil, gingelly oil and coconut oil raised the sub-group index for 'edible oils' by 6.7 per cent to 269.7. The prices of mustard oil, however, receded. The sub-group index for "fish, eggs & meat' moved up by 0.9 per cent to 315.4 on account of higher prices of meat. The prices of eggs, however, registered a fall. Lower prices of sugar, gur and khardsari brought down the sub-group index for 'sugar & allied products' by 2.2 per cent to 274.5. The sub-group index for 'other food articles' went up by 1.6 per cent to 168.7 due to arise in the prices of spices & condiments, coffee and processed food. The prices of betelnuts, however, declined.

Liquour and tobacco

The index for 'liquor & tobacco' moved up by 0.5 per cent to 241.8 due to an increase in the prices of tobacco raw.

The index for this group advanced by 0.2 per cent to 182.0 due to a rise in the prices of castor oil.

Machinery

Lower prices of Jute raw & mesta and wool raw brought down the sub-group index for 'fibres' by 0.4 per cent to 181.4 although the prices of hemp raw and silk raw moved up. The sub-group index for 'oilseeds' advanced by 7.5 per cent to 282.2 due to a rise in the prices of all the oilseeds (except rapeseed which declined). The sub-group index for 'minerals' stood unchanged at

Index Numbers of Wholesale Prices by Groups and Sub-groups

(Base 1961 62=100)

Groups & Sub-Group	Feb. '73	Jan. '73	Feb. '72	Percentage change	
				In Feb. '73 over Jan '73	In Feb. '73 over Feb '72
Food Articles	251.1	245.5*	213.3	+2.3	+17.8
Foodgrains	261.4	255.6	221.7	+2.3	+17.9
Cereals	242.9	235.9	206.1	+3.0	+17.9
Pulses	345.1	344.2	292.3	+0.3	+18.1
Fruits & vegetables	221.9	209.8	193.2	+5.8	+14.9
Milk & milk products	231.5	223.8	215.8	+3.4	+7.3
Edible oils	269.7	252.7	197.0	+6.7	+36.9
Fish, eggs & meat	315.4	312.6	258.5	+0.9	+22.0
Sugar & allied products	274.5	280.6	232.0	—2.2	+18.3
Others	168.7	166.1	160.9	+1.6	+4.8
Liquor & tobacco	241.8	240.7	203.0	+0.5	+19.1
Fuel power, light & lurbricants	182.0	181.6	175.3	+0.2	+3.8
Industrial raw materials	233.3	222.5	185.8	+4.9	+25.6
Fibres	181.4	182.2	176.2	—0.4	+3.0
Oilseeds	282.2	262.5	201.4	+7.5	+40.1
Minerals	142.5	142.5	140.3	Nil	+31.0
Others	228.7	216.1	174.6	+5.8	+31.0
Chemicals	202.4	202.2	198.0	+0.1	+2.2
Machinery & transport equipment	170.3	170.0	162.4	+0.2	+4.9
Electrical machinery	171.7	171.8	163.1	—0.3	+5.3
Non-electrical machinery	180.9	180.6	170.9	+0.2	+5.9
Transport equipment	149.9	149.2*	146.4	+0.5	+2.4
Manufactures	181.2	179.4	172.4	+1.0	+5.1
Intermediate products	222.1	218.5	205.1	+1.6	+8.3
Finished products	171.3	170.0	164.5	+0.8	+4.1
Textiles	170.4	169.1	172.5	+0.8	—1.2
Cotton manufactures	167.8	166.5	163.9	+0.8	+2.4
Jute manufactures	187.7	185.8	211.8	+1.0	—11.4
Silk & rayon mfrs.	127.1	126.9	130.6	+0.2	—2.7
Woollen mfrs.	212.0	212.0	194.4	Nil	+9.1
Coir mats & mattings	201.4	194.6	175.8	+3.5	+14.6
Metal products	199.2	199.2	182.8	Nil	+9.0
Non-metallic products	161.2	161.1	154.0	+0.1	+4.7
Chemical products	156.9	156.7	151.6	+0.1	+3.5
Leather products	100.1	100.1	98.0	Nil	+2.1
Rubber products	159.8	159.3	157.3	Nil	+1.3
Paper products	137.3	137.3	135.7	Nil	+1.3
Oilcakes	298.2	278.3	179.4	+7.2	+66.2
Misc. products	124.5	124.4	123.9	+0.1	+0.5
All commodities	217.2	213.0	191.2	+2.0	+13.6

Source: Office of the Economic Adviser, Government of India.

its last month's level of 142.5. Higher prices of raw hides, raw skins and tanning materials raised the sub-group index for 'other industrial raw materials' by 5.8 per cent to 228.7. The prices of lac, however, registered a fall.

The index for 'chemicals' group moved up slightly by 0.1 per cent to 202.4 due to a rise in the prices of Sodium Hydrosulphite.

Industrial rawmaterials

The sub-group index for 'electrical machinery' stood at 171.7 as against 171.8 for the last month. The index for 'non - electrical machinery' rose by 0.2 per cent to 180.9 due to rise in the prices of beltings. The sub-group index for 'transport equipment' advanced by 0.5 per cent to 149.9 on account of higher prices of cycles.

The index for 'intermediate products' went up by 1.6 per cent to 222.1 due to an increase in the prices of cotton yarn, rayon yarn, zinc, tin, lead and linseed oil. The prices of leather, brass sheets and copper sheets, however, registered a fall.

Higher prices of cotton manufactures (0.8 per cent to 167.8) Jute manufactures (1.0 per cent to 187.7) silk & rayon manufactures (0.2 per cent to 127.1), and coir mats & mattings (3.5 per cent to 201.4). The prices of woollen manufactures however remained unchanged at its last month's level of 212.0. The sub-group index for 'metal products' stood stationary at its last month's level of 199.2. The index for 'non-metallic products' sub-group moved up slightly by 0.1 per cent to 161.2 due to higher prices of pottery goods. The sub-group index for 'chemical products' stood at 156.9 as against 156.7 for the last month. The prices of dyeing materials and essential oils showed increases. The indices for 'leather products' 'rubber products' and 'paper products' sub-group stood stationary at their last month's levels of 100.1, 159.3 and 137.3 respectively. The sub-group index for 'oil cakes' advanced by 7.2 per cent to 298.2. The index for 'misc. products stood at 124.5 as against 124.4 for the previous month. On the whole, the index for 'finished products' rose by 0.8 per cent to 171.3 during the month under review.

Index Numbers of Industrial Production

(Base: 1960=100)

Items	1971	1972		
		Aug.	Sept.	Oct.
General Index: : Seasonally Adjusted	186.1	198.9	200.0	202.9
General Index: Crude	186.1	198.7	198.2	195.4
Mining and Quarrying	153.4	155.3	159.4	161.4
Manufacturing	178.9	191.6	190.7	187.2
Food Manufacturing Industries	157.6	174.7	174.1	177.9
Sugar Factories and Refineries	141.7	9.1	13.0	48.2
Manufacture of Hydrogenated Oil (Vanaspati)	174.8	178.3	187.6	184.9
Tea	133.2	248.6	253.9	232.6
Coffee Curing	197.1	80.0	68.8	73.4
Beverage and Tobacco Industries	182.5	182.1	176.7	140.8
Cigarette Manufacturing	177.9	169.0	167.6	132.5
Manufacturing of Textiles	106.0	120.5	119.7	133.0
Spinning, Weaving and Finishing of Cotton Textiles	105.2	119.4	116.5	112.3
Spinning, Weaving and Finishing of Woollen Textiles	181.6	N.A.	N.A.	N.A.
Spinning, Weaving and Finishing of Jute Manufacture	94.7	92.8	96.4	84.3
Manufacture of Paper and Paper products	225.7	191.1	206.2	228.0
Manufacture of Paper	229.5	189.0	205.0	226.2
Manufacture of Leather and Fur products except Footwear and other wearing apparel	55.3	74.0	72.5	53.1
Manufacture of rubber products	241.8	267.4	274.4	223.3
Tyres and Tubes	295.4	329.4	337.1	279.1
Manufacture of Chemicals and Chemical Products	252.7	292.2	248.2	289.7
Basic Industrial Chemicals including Fertilizers	371.2	427.0	379.5	448.3
Heavy Organic Chemicals	301.2	331.9	370.3	372.4
Heavy Inorganic Chemicals	354.7	381.7	377.9	396.7
Synthetic Resins and Plastics	217.5	435.9	451.3	445.7
Synthetic Fibres	232.3	265.1	272.8	267.4
Dyestuff and Dyes	187.1	232.1	210.3	186.7
Manufacture of Fertilizers	841.3	1035.5	776.8	1034.1
Manufacturing of Paints, Varnishes and Lacquers	110.5	144.9	129.5	133.1
Fine Pharmaceutical Chemicals	157.6	178.6	102.8	123.1
Drugs and Pharmaceuticals	157.5	178.5	102.2	122.7
Petroleum Refinery Products	316.9	322.4	319.3	317.0
Manufacture of non-metallic mineral products except production of Petroleum and Coal	207.3	225.4	227.4	235.4
Manufacture of Cement (Hydraulic)	190.3	142.1	196.3	213.2
Basic Metal Industries	208.6	217.3	217.4	224.5
Iron and Steel Basic Industries	186.3	195.6	196.7	202.7
Non-ferrous/Metal Industries	329.1	3 4.7	239.3	342.5
Aluminium Manufacturing	557.9	571.7	558.0	589.1
Manufacture of metal products except Machinery and Transport Equipment	234.4	259.4	243.5	209.2
Manufacture of machinery except electrical machinery	373.2	408.8	406.6	381.8
Manufacture of Industrial Machinery	86.3	121.0	126.6	94.5
Machine Tools	378.2	503.1	442.1	444.9
Manufacture of Electrical Machinery apparatus, appliances and supplies	404.8	383.1	469.3	401.0
Manufacture of Batteries	243.6	262.3	258.5	220.8
Manufacture of Transport Equipment	122.1	129.1	117.3	126.2
Manufacture of Motors Vehicles	168.3	166.3	128.8	167.3
Motor Cycles and Bicycles	259.7	267.6	282.6	196.0
Manufacture of Motor Cycles and Scooters	634.2	433.4	526.8	727.1
Manufacture of Bicycles and Tricycles	180.1	232.4	230.7	204.3
Electricity Generated	358.5	390.7	387.0	N.A

Source: Central Statistical Organization.

Reserve Bank of India

(Rs crores)

	April 27, 1973	A week ago	A month ago	A year ago
Issue department				
Notes held in banking department	45.66	27.28	18.75	54.32
Notes in circulation	5,510.87	5,529.32	5,253.45	3,748.42
Total notes issued	5,556.53	5,556.60	5,272.20	4,802.74
Gold coin and bullion	182.53	182.53	182.53	182.53
Foreign securities	171.65	171.65	171.65	221.65
Rupee coin	2.99	3.06	8.66	34.27
Government of India rupee securities	5,199.36	5,199.36	4,909.35	4,364.28
Banking department				
Deposits of central government	54.80	56.65	53.83	214.08
Deposits of state governments	12.67	9.12	16.79	3.53
Deposits of banks	336.19	321.53	297.44	266.24
Other deposits	79.73	75.20	85.17	106.94
Other liabilities	1,131.59	1,103.93	1,198.49	1,010.00
Total liabilities or assets	1,614.98	1,566.42	1,651.71	1,600.80
Notes and coins	46.74	27.35	18.84	54.44
Balances held abroad	221.82	211.69	204.37	200.29
Loans and advances to :				
State governments	179.88	158.43	134.68	762.41
Scheduled commercial banks	24.28	30.37	138.45	22.85
State co-operative banks	275.86	278.68	322.17	272.77
Other loans and advances	128.93	129.47	130.47	89.80
Bills purchased and discounted:				
Internal	19.83	25.00	35.40	11.30
Government treasury bills	275.55	275.34	96.92	51.65
Investments	386.79	375.52	513.96	85.50
Other assets	56.28	54.58	54.46	49.80

Scheduled Commercial Banks

(Rs crores)

	April 27, 1973	A week ago	A month ago	A year ago
1. Demand deposits	3,713.33	3,717.55	3,685.96	3,142.67
2. Time deposits	4,974.69	4,944.78	4,830.23	4,098.40
3. Aggregate deposits	8,688.02	8,662.33	8,516.19	7,241.07
4. Borrowing from Reserve Bank	24.28	30.37	138.45	22.85
5. Cash	236.88	231.96	221.89	187.47
6. Balances with Reserve Bank	309.32	305.32	259.18	243.62
7. Cash and balances with Reserve Bank	546.20	537.28	481.07	431.09
8. Investments in government securities	2,148.07	2,173.97	2,128.03	1,712.05
9. Advances	4,980.94	4,976.23	4,928.20	4,190.55
10. Inland bills purchased and discounted	879.62	868.35	841.84	763.32
11. Foreign bills purchased and discounted	249.21	249.33	237.86	239.16
12. Total bank credit	6,109.77	6,093.91	6,007.90	5,193.03
13. Percentage of (7) to (3)	6.29	6.20	5.65	5.95
(8) to (3)	24.72	25.10	24.99	23.64
(12) to (3)	70.32	70.35	70.55	71.72

Source : Reserve Bank of India

Money Supply with the Public

(Rs crores)

	1972	1973				
	April 21	March 23	March 30	April 6	April 13	April 20
Money supply with the public	8,268	9,203	9,275	9,495	9,585	9,577
Currency with the public	4,966	5,422	5,419	5,588	5,684	5,690
Other deposits with the Reserve Bank	79	50	51	41	45	41
Bank money	3,223	3,731	3,805	3,866	3,856	3,846
Factors affecting money supply (1+2+3+4—5—6)						
1. Net bank credit to government sector	6,762	7,613	7,708	7,837	8,121	8,108
(a) Reserve Bank's net credit to government sector	5,004	5,398	5,494	5,583	5,796	5,848
(b) Banks' credit to government sector	1,758	2,215	2,214	2,254	2,325	2,260
2. Net bank credit to commercial sector	2,083	2,335	2,343	2,373	2,276	2,238
Of which : Banks net credit to commercial sector (a—b)	1,876	2,086	2,078	2,117	2,021	1,986
(a) Claims on commercial sector	6,159	7,179	7,161	7,228	7,179	7,197
(b) Non-monetary liabilities of banks	4,283	5,093	5,083	5,111	5,158	5,211
3. Net Foreign Exchange Assets of banking sector	599	573	567	572	568	570
4. Government's net currency liabilities to the public	413	434	433	437	439	439
5. Net non-monetary liabilities of the Reserve Bank	1,017	1,152	1,212	1,121	1,107	1,119
6. Residual	572	599	564	603	712	659

Source : Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972					1973	
								Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
			(Base : 1949=100)											
All-India	169	191	213	212	215	226	233	235	253	254	255	255	255	259
			(Base : 1960 =100)											
All-India				174	177	186	192	193	208	209	210	210	210	213
Ahmedabad	130	148	168	165	169	176	181	185	192	198	200	207	211	215
Alwaye	145	158	183	198	197	198	202	204	215	218	218	217	211	213
Asansol	140	145	168	176	178	189	194	194	210	211	209	206	205	—
Bangalore	144	159	172	180	183	186	194	196	210	214	219	221	223	222
Bhavnagar	132	152	173	176	178	186	194	197	212	216	219	228	232	238
Bombay	130	147	162	167	175	182	190	191	203	203	202	204	205	208
Calcutta	131	148	163	170	172	182	187	186	202	204	205	200	195	197
Coimbatore	132	144	151	147	154	163	177	179	187	188	192	193	193	194
Delhi	136	152	172	178	185	199	211	212	222	223	222	224	226	227
Digboi	138	160	198	185	180	189	188	189	198	198	199	201	198	202
Gwalior	139	160	191	179	184	191	197	197	215	213	214	217	220	222
Howrah	137	154	178	181	176	186	191	190	210	212	211	209	205	206
Hyderabad	140	158	167	173	185	189	195	196	210	212	216	215	215	220
Jamshedpur	136	158	183	171	170	183	187	184	207	210	207	200	200	206
Madras	134	144	151	150	160	170	182	186	199	203	207	211	211	211
Madurai	128	142	146	148	162	183	192	197	201	205	210	219	219	215
Monghyr	151	187	215	185	188	205	204	206	232	234	229	221	223	—
Mundakayam	138	152	173	186	191	197	199	198	213	212	213	214	210	209
Nagpur	138	148	164	166	176	187	192	194	204	204	205	205	204	206
Saharanpur	141	163	188	176	181	186	196	201	211	212	210	215	220	—
Sholapur	128	150	165	167	176	185	198	197	214	218	224	229	229	232

Source : Labour Bureau, Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972						1973
								Jan.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
All-India	132	146	159	161	167	174	180	182	192	193	194	194	194	195
Bombay	132	142	153	156	162	168	172	171	182	180	186	184	184	184
Delhi-New Delhi	131	142	154	162	168	174	180	181	190	190	190	189	189	190
Calcutta	126	139	152	156	162	170	174	172	182	183	184	182	181	180
Madras	133	147	154	154	161	175	188	194	201	202	204	207	209	210
Hyderabad-Secunderabad	133	147	155	159	167	174	180	184	192	194	196	198	200	202
Bangalore	133	145	156	160	164	172	180	183	190	191	193	195	197	198
Lucknow	132	146	159	156	161	166	174	176	186	186	186	185	185	186
Ahmedabad	131	146	160	162	168	171	173	176	183	184	187	190	193	194
Jaipur	133	150	162	168	176	183	188	191	207	207	206	205	208	208
Patna	139	160	179	174	180	191	190	188	200	200	201	203	202	199
Srinagar	134	143	160	167	174	184	191	194	199	201	202	202	202	203
Trivendrum	131	146	165	168	172	178	184	188	198	197	198	201	203	205
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	186	198	198	200	201	198	196
Bhopal	133	144	166	166	172	180	188	192	205	208	206	208	208	208
Chandigarh	129	143	155	164	171	178	183	186	196	198	194	193	193	193
Shillong	123	134	155	163	164	166	175	173	183	184	185	186	184	183

Source : Central Statistical Organization.

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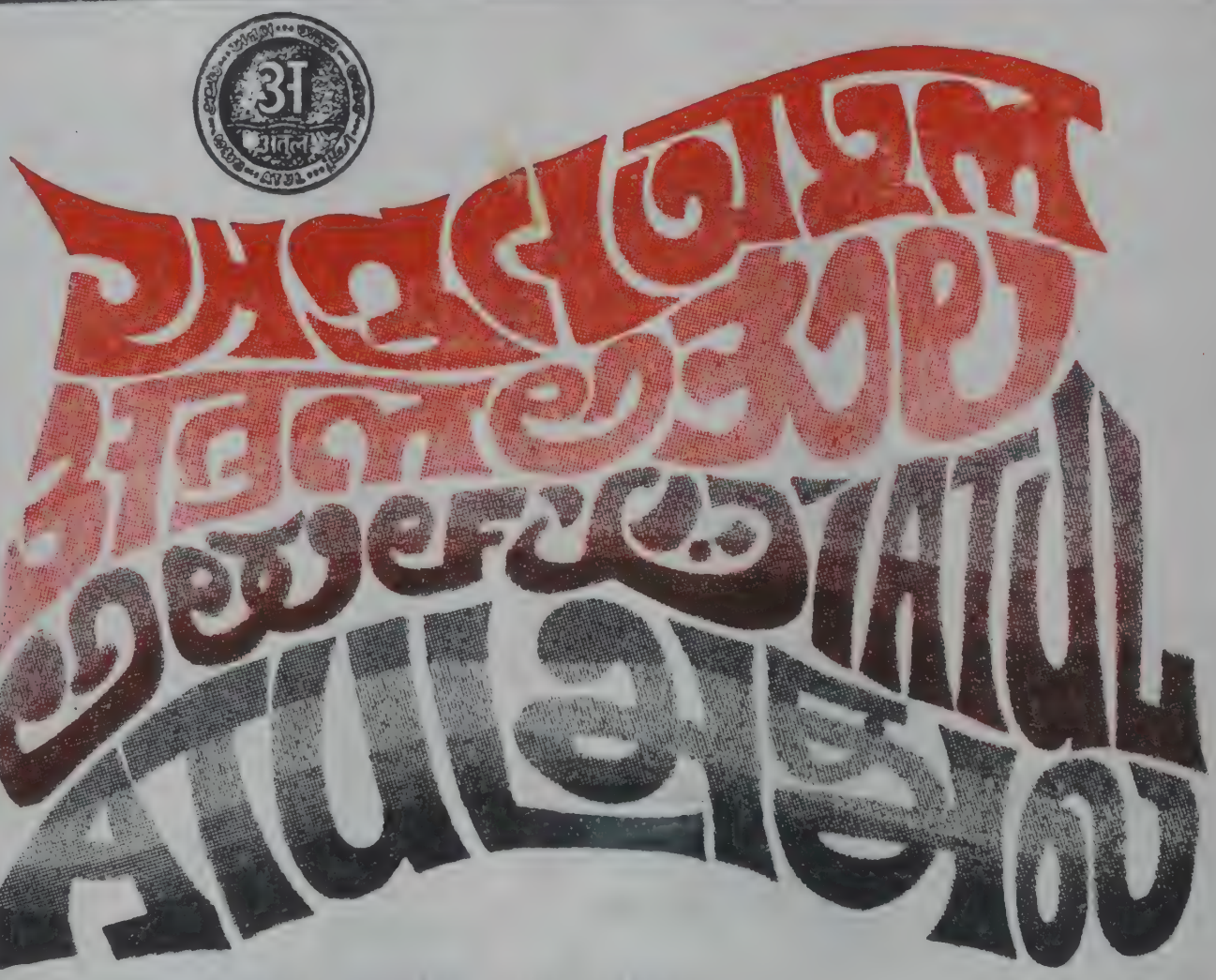
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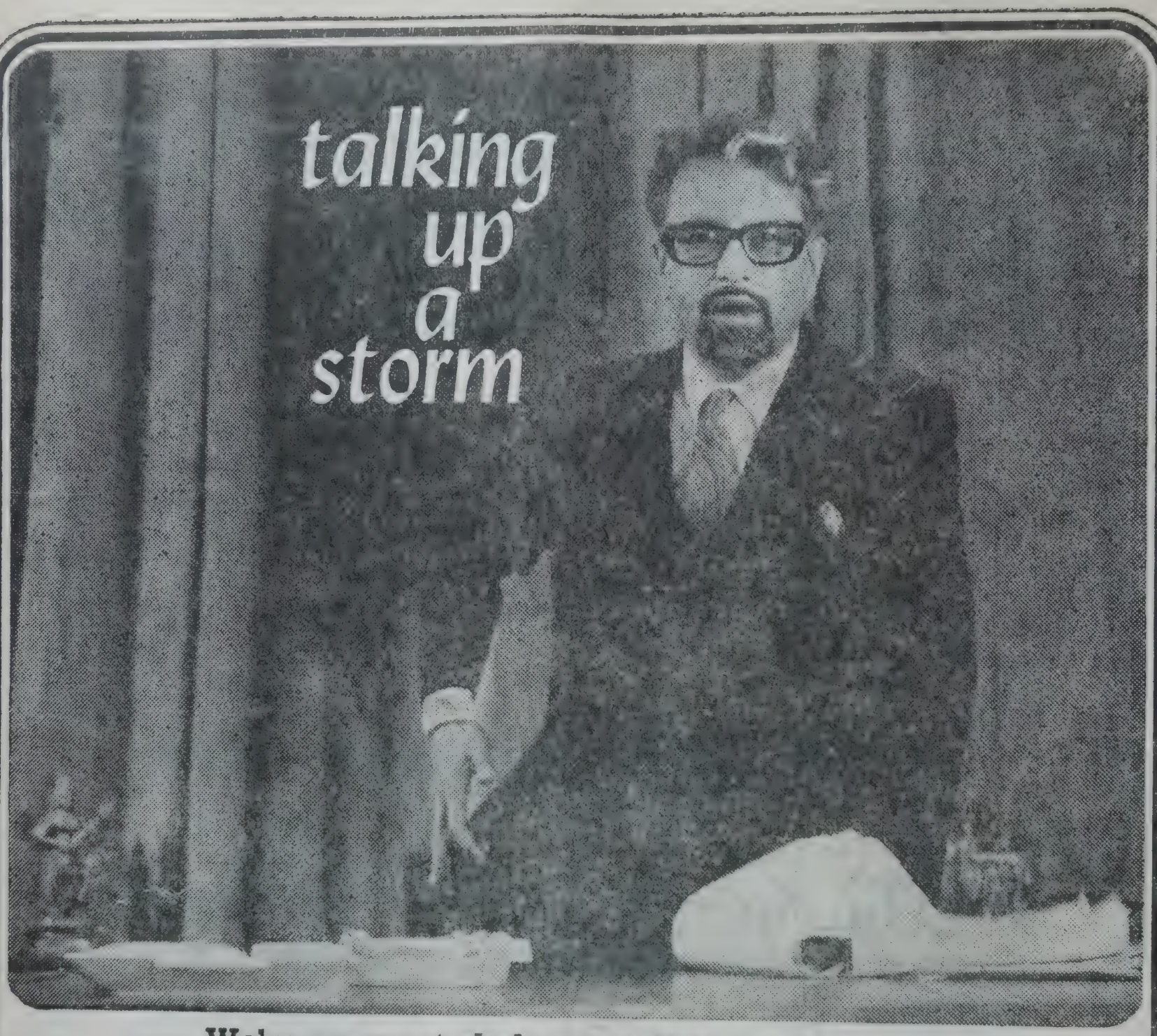
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A Disappointing Document

The Spectre of Energy Shortages

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A disappointing document

THE REPORT of the Committee on Unemployment headed by Mr B. Bhagwati, a member of Parliament, which was presented to the government of India recently (and a summary of which appears elsewhere in this issue) has turned out to be a dull and disappointing document despite the committee's prolonged deliberations extended over a period of more than two years and the liberal help of no less than 900 witnesses. The report lacks the touch of an expert body's scientific treatment to a highly complicated and baffling problem. Its recommendations do no more than recount some of the proposals which have been flogged to death by repetition by the Planning Commission in its various documents. The intensification of the family planning programme so as to reduce the birth rate and consequently the labour force in the next 15 to 20 years and accelerating the rate of economic growth coupled with deliberate and conscious planning for an increase of employment potentiality of the economy, are two of its main suggestions which would hardly enthuse anyone in this country as they have been laid down in official pronouncements year after year.

What is disappointing is that the committee has failed to evolve a scientific basis for measuring the precise dimensions of the unemployment problem. Its estimate that the number of the unemployed in 1971 was around 18.7 million is largely an understatement. According to the committee, this country had two years ago—at the time of the 1971 census — 9.0 million persons who were unemployed and 9.7 million persons who worked for less than 14 hours a week. A majority of the unemployed were estimated to be in the rural areas, the number of the unemployed in the urban areas being 2.6 million only. Since the committee has based its estimates on the 19th round of the National Sample Survey (NSS) which was conducted in 1964-65 and the 1971 census, the element of error involved is bound to be large. It may be recalled that 1964-65 was the best year in agriculture in the third five-year Plan period and hence the NSS data of that year were a poor reflector of the problem of unemployment in this country. Moreover, the estimate of 2.6 million unemployed in urban areas is a gross underestimate because the number of jobless persons seeking employment and registered with employment exchanges was reported to be more than five million in 1971. The number of the educated unemployed alone at 3.3 million was higher than the estimate of the committee regarding the total urban unemployment. And not all those who work for more than 14 hours and less than 28 hours a week can be called employed in any sense of the term, i.e. the problem of underemployment is not limited to those who work for less than 14 hours a week. A more relevant estimate is the one relating to those persons working for less than 28 hours a week. The committee has estimated their number at 27.2 million. These severely underemployed persons plus the unemployed total more than 36 million according to the conservative reckoning of the committee. And what is still worse, their number has swollen further during the past two years due to a slowdown in business activity and the increase in the labour force.

It would have been better if the committee had made a long-term historical study of the problem with projections to 1981 so as to draw the attention of the government to the alarming proportions which it is likely to take if steps are not taken expeditiously to contain it. The procedure adopted by the committee implies that for the next estimate of the unemployed in this country we would have to wait till the 1981 census; that is why it has laid down a few recommendations also for the decennial census in 1981. Guidelines in this regard should have been laid down so that the government could know about the precise magnitude of the problem at the end of each year. The employment exchange data, being limited in coverage, are of restricted use to the government. The minute of dissent by Mr Jyotirmoy Bosu, MP, made a valid suggestion that "the Central Statistical Organisation (CSO) should publish every year a white paper on the trends of employment, unemployment and underemployment, on the lines of yearly statement on national income estimates." The CSO could make use of the projections of population made by it from time to time in conjunction with the lastest NSS data. While it has not been indicated in the report as to why this suggestion by Mr Bosu was not accepted by the committee, the obvious inference is that a yearly white paper on this subject would be an embarrassment to the government as this problem is not likely to be tackled even in part in the near future.

The committee has come to the unconvincing conclusion that the percentage of the labour force to the total population for the country as a whole dropped from 43.3 per cent in 1961 to 34.6 per cent in 1971. This difference, according to the committee, shows "partly the change over the decade as well as the variation due to the different

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concepts and definitions adopted in the two censuses (i.e. 1961 and 1971)". Since the statistics obtained from the two censuses were not comparable, it was a futile effort to compute and compare the percentage of the labour force. This has naturally caused further confusion and it is now hard to say if the percentage of labour force in this country is nearer 43.3 or 34.6.

Whatever the percentage of labour force to total population, it is difficult to disagree with the committee that "in order to secure a reasonably high rate of economic growth, it is necessary to restrict the growth of population effectively and for this purpose the adoption of a well-concerted and positive programme of population planning is very essential". And to achieve this objective, the committee has suggested liberalisation of induced abortions, postponement of the age of marriage, motivation of young men and women for longer abstention from marriage and the creation of a proper social atmosphere for this purpose. None of these suggestions is new. They have all adorned almost all our five-year Plan documents and the annual reports of the central ministry of Health and Family Planning. An effort made by this journal to locate even a single suggestion in this regard which had not been made earlier failed miserably.

And the report touches upon almost every aspect of the economy. It was put forward suggestions relating to credit to small farmers, completion of irrigation projects, rural electrification, the doubling of the existing railway track, the construction of roads worked out in the Chief Engineers' Plan, long-term programmes for developing shipbuilding, development of the tourist industry, expansion of broadcasting and allied facilities, increased water supply to rural and urban areas, housing, small-scale, medium-scale and large-scale industries and various other facets of the economy. The committee seems to have drafted a set of suggestions for each section of the economy for inclusion in the fifth and sixth five-year Plans keeping the objective of increased employment in view. It is hard to explain as to why the committee stretched its terms of reference to lengths which made its task unwieldy.

It may be recalled that in its interim report, the committee had recommended that the financial outlay of the order of Rs 2,000 crores spent in two years on programmes outlined by it would generate four million additional jobs. The final report has made no reference to this exercise in quick employment-generation policy. Presumably, the suggestion had not found favour with the government and the committee thought it prudent to keep quiet over this subject. It cannot be denied that there is a link between the size of the financial outlay and the number of jobs created. But we do not have unlimited resources at our command and whatever is available has to be used in the most judicious manner keeping in view not only the employment angle but also the basic aim of faster, long-term economic development. The suggestion made by Mr Jyotirmoy Bosu in his note of dissent that the outlay of the fifth five-year Plan should be increased by 50 per cent for creating additional jobs misses the central point that real resources of that order cannot be mobilised at the present juncture. Even the Plan of the size of Rs 51,000 crores would get reduced sizeably in physical terms due to the rise in prices.

The spectre of energy shortages

THE GLOOMY forecasts about the development of an acute global shortage of petroleum in another 12 to 15 years may not materialise as happened with predictions thrice in the past—in the 1920s, in the late thirties and soon after the Second World War. The intensive search for crude oil in the North Sea and elsewhere in the world may throw up new reserves which may help in repleting the sharply running out existing resources. The oft-repeated threats of the Organisation of Petroleum Exporting Countries (OPEC) to cut their output, similarly, may not eventually be enforced. Yet there is no denying the fact that the recent uptrend in oil prices the world over will persist for a considerable time to come.

Already as a result of the Tehran pact of 1971 and the subsequent agreement between the OPEC and the international oil companies, the prices of crude oil have been jacked up in west Asia by nearly 60 cents a barrel. They may soon go up by another 10 per cent to fully neutralise the devaluation of the dollar early this year; the OPEC members are expected to meet in Vienna shortly for this purpose. The agreement between the OPEC and the international oil companies as well envisages periodical scaling up of prices in terms of a specified formula up to 1975. But more important is the fact that the petroleum exporting countries of west Asia and north Africa, determined as they are to derive the maximum benefit from their this natural endowment, will surely try to bargain very hard when the present agreement comes up for revision in 1975. By then, they would have started owning part of the crude oil production by virtue of the participation clause in the above agreement—to start with, to the extent of 25 per cent in 1975, going up to 51 per cent in 1982. It is now feared that the prices of crude oil may even exceed the dreaded figure of $ 4.50/5.00 per barrel in 1980, mentioned in the testimony to the US Congress and the Senate about four years ago when the ruling price was less than $ 2.00 a barrel. According to the latest estimates, the price of crude oil in 1980 may touch as high a level as $ 7.00 per barrel.

Although President Nixon, in his recent energy message to the US Congress, did not share this bleak view, he, however, showed serious concern over the expected deterioration in the world supply of oil. This prompted him to impress upon the US Administration "to develop a more comprehensive, integrated national energy policy".

The basic aims of the future energy

Eastern Economist 30 Years Ago

MAY 28, 1943

In any scheme of industrialization after the war the question of the most suitable location of industries, with special reference to regional planning, should receive the careful attention of the Government and the industrialists. The time is long since past, when industrials could regard the location of a plant as entirely their private affair. It is now clear that the social and economic aspects of location are not only important in themselves but will affect the well being of the entire community. The interest of the public and of the State in the location of industry arises on account of the social and economic wastage caused by wrong locations, by unemployment in depressed areas, damage caused by land subsidence, the wastage of labour and other forms of social injury. Land which might be used for more useful purposes is being laid waste by industry. The dust and smoke, the foul odour and other noxious gases emanating from the factory chimnies affect the health of the community and the State has to incur a large expenditure in mitigating their effects. The gap between private and social costs is seen in glaring light.

policy, Mr Nixon thinks, should be to increase the domestic production of oil and other forms of energy and a more effective conservation of energy, particularly oil and natural gas. With the latter objective in view, he has called upon a rationalisation of the use of America's most favoured and premium fuel, namely, natural gas, the prices of which hitherto have been kept artificial low. He has also urged greater use of the coal resources of his country, of course consistent with acceptable environmental regulations. In the interest of raising energy supplies from domestic sources, he has stressed the need for reducing the current "excessive regulatory and administrative impediments which have delayed or prevented construction of energy producing facilities". A more expeditious exploitation of the Alaskan reserves of crude oil has also been emphasised by President Nixon. The quota restrictions on the imports of crude have been removed and all encouragement is being provided for the exploration of oil in the continental shelf of the United States.

Our usual monthly feature "Books Briefly" will appear in the issue dated June 8.

If the expected sharp deterioration in the global supply position of oil has prompted such an advanced country as the United States to initiate action for warding off adverse repercussions of oil shortages—in fact, serious thinking is reported to be going on in the other major oil consuming countries also on how best to meet the energy challenge of the future—it is imperative for the developing countries like ours to take a cue from this.

The proposal which was mooted about two years ago that corresponding to the coming together of the oil exporting countries, the consuming countries too should form a group to resist undue rise in crude oil prices has not found favour in our country for the simple reason that this will amount to a direct confrontation between the consumers and suppliers of oil. Further, the government of India probably thought that its interest would be served better by keeping aloof from the grouping of major consumers of oil and having direct links with the oil producers in west Asia. This policy, indeed, appears to be bearing fruit. Under an agreement signed last year, Iraq is to supply us 1.95 million tonnes of crude oil by the end of 1975. It has further recently offered to make available to us an additional 112 million tonnes over a period of 12 years beginning on June 1, 1976. Closely on the heels of this offer has come the disclosure from the union minister for Petroleum and Chemicals that Saudi Arabia—the most important member of the OPEC—would be supplying us directly three million tonnes of crude next month. The 112 million tonnes of crude oil proposed to be supplied by Iraq should meet the requirements of the proposed giant refineries at Mathura and Goa till the middle of eighties. The 1.95 million tonnes to be made available by Iraq under last year's agreement and the three million tonnes to be supplied by Saudi Arabia should help us in raising the domestic production of petroleum products. It is encouraging that the government of India has resiled from the position of not allowing the utilisation of the idle capacity at the Trombay refineries of Burmah-Shell and Esso. The Iraqi and Saudi Arabian crudes are proposed to be refined at these two Trombay projects.

As already argued on various occasions in this journal in the past, we not only have to make every effort to check undue growth in the consumption of petroleum products but have also to make concerted efforts to step up the domestic supply of crude oil. It is heartening to note that the exploratory well in the most promising oil-bearing area in our country known so far—the Bombay High area—will at long last be spudded in the next month. But much still remains to be done. It is hoped that the recent relaxation of the off-shore oil exploration policy on the pattern of Indonesia will yield fruitful results.

Greater emphasis in future has also to be placed on the diversification of our sources of energy, with specific stress on the utilisation of our coal and hydro-electric power. Further, much more concerted action than hitherto has to be taken to develop the generation of nuclear power. In fact, even in the United States, President Nixon has laid an overwhelming emphasis on the development of nuclear energy. He has proposed this year a 35 per cent increase in the expenditure on fusion research and development effort.

A much more significant proposal of President Nixon, however, is that to meet the energy challenge of the future, there should be greater international cooperation. In his energy message to the Congress, he has dwelt upon the measures already taken by the US in this regard, including those for cooperation with the Soviet Union. The United Nations should do well to take up this question now so that the fruits of research and development in the advanced countries in the field of energy can be made available to the developing countries at reasonable costs. It will be these countries which will feel the pinch of oil scarcity—if the current fears about it come out to be true—more than the advanced nations.

Borrowing becomes easy

SINCE THE nationalisation of 14 major banks in July 1969 the borrowing programmes of the central and state governments and public bodies are being managed without much difficulty by the Reserve Bank especially as the Life Insurance Corporation also has been adding to its assets in a substantial manner and the provident funds are assured of receipts. The growth in deposits of scheduled commercial banks too has been on such a scale that it has been possible to invest large amounts in new loans and bonds even after meeting all the needs of regular borrowers. In 1972, the central government secured a record net amount of Rs 478.20 crores after repaying maturing loans to the extent of Rs 300.22 crores. The gross amount raised was actually Rs 778.42 crores. There were four tranches in all in 1972-73. In July last year, a net amount of Rs 121.92 crores was raised after converting or repaying two maturing loans. There was a reissue of three loans in September that year and cash subscriptions for Rs 236.72 crores were secured. In December 1972 two new loans were offered for cash subscription realising Rs 109.94 crores. Again in February this year three medium dated loans for Rs 45 crores were taken up by the Reserve Bank in the first instance to be sold later to investors conveniently. This procedure was adopted with a view to avoiding any disturbance to the money market during the peak of the busy season.

It would now appear that the central government can repeat the record performance of the last year if not excel it in spite of the fact that there are maturing loans for Rs 553.59 crores and gross borrowings will be much higher at Rs 880 crores. This is because the expectations of the Reserve Bank that there would be an increase in pressure on the banking system on account of an intensification of procurement operations may not turn

out to be correct. Up to the middle of May, over two million tonnes of wheat had been procured while imports also were being received steadily. The net additions to stocks, however, could not have been more than 1½ million tonnes as food specials are being rushed to the deficit states in order to avoid a breakdown of the distribution system. In spite of the doubts expressed in some quarters about the success of procurement operations and the target of eight million tonnes being reached, it has been repeatedly stated that about seven million tonnes of wheat would have been procured by the end of June. Even granting that this objective is realised, the net increase in stocks will not be very much more than 3½ million tonnes from the middle of May calling for bank finance of Rs 280 crores. The commercial banks can easily find this amount even after lending good support to the new central loans. During the week ended May 11, borrowings of scheduled commercial banks from the central banking institution were only Rs 58.83 crores indicating that the procurement operations had not created any problem for the lenders. As the growth in deposits in six weeks will be about Rs 225 crores and there will also be a contraction in advances under other heads, any amount borrowed from the Reserve Bank for subscribing to the new loans could be easily repaid even after financing the maintenance of fresh stocks of 3½ million tonnes of wheat by the Food Corporation and other agencies.

It is not, therefore, surprising that the first tranche of the borrowing programme of the centre for the current financial year has been a significant success. Even though the lists were opened for subscription on a Saturday all the three loans were oversubscribed. Aggregate subscriptions amounted to Rs 550.32 crores against the notified sum of Rs 500 crores. Conversion applications against the maturing 4 per cent 1973 loans outstanding for Rs 394.51 crores were as much as Rs 380.60 crores. This clearly indicates that the bulk of this loan had been held by the institutional investors and the fresh outgo was only Rs 14 crores. The net amount borrowed was thus Rs 155.81 crores. After such a large diversion of funds to the central exchequer, there has been no hardening in short term rates. The inter-bank call rate in Bombay has been quoting around 5¾-6 per cent.

The second phase of borrowing will have to be in the third week of July and the remaining 4¼ per cent 1973 loan outstanding for Rs 159.08 crores has to be repaid on July 22. There is no doubt the conversion applications against this loan will also be substantial. If the practice followed last year is any guide, the three loans now offered may be reissued with the notified amount being fixed at Rs 300 crores. In that event, aggregate subscriptions will be for Rs 330 crores and the net amount borrowed Rs 171 crores. If this programme is adhered to, even during the first two phases, the target for net borrowing of Rs 326.41 crores will have been reached. The state loans will of course have to be floated some time in August though there are no maturing loans this year. Even allowing for cash subscriptions for these loans amounting to Rs 130 crores, there will still be scope for the centre to mobilise again Rs 165 crores in October in the third tranche and thus even excel the record of 1972-73.

After the end of July there is bound to be a distinct easing of pressure on the banking system as there will be an outgo of more than one million tonnes of foodgrains every month from August up to the end of November. This would mean a decline in stocks by four million tonnes, virtually putting into consumption all the quantities procured up to the end of July. There will also be a sharp decline in sugar stocks in these four months besides the using up of inventories by other industries with an improvement in the power situation. The value of four million tonnes of foodgrains and about 10 lakh tonnes of sugar will be easily Rs 450 crores. The money market will thus be in an extremely comfortable position in the latter half of the slack season. Even with aggregate net borrowing by the central and state governments and public bodies of Rs 760 crores, the position of the scheduled commercial banks at the end of November will still be comfortable as the expansion of credit for procurement operations will be only in the nature of ways and means adjustments and there will also be a substantial contraction in advances against sugar, cotton, yarn and other items. An increase in industrial activity may of course call for additional credit to industrial units. But with the likelihood of current production being rapidly absorbed, a temporary increase in stocks of finished goods may be more than offset by a net decline in inventories of raw materials and components. The situation in the money market in August-November will thus be in strong contrast with that in May-July. The Reserve Bank's calculations of extremely stringent money conditions during most part of this year's slack season will not turn out to be correct and member-banks will feel compelled to dispose of their surpluses in new loans and bonds and the new stipulation about a higher liquidity ratio will have been automatically observed.

RECORDS AND STATISTICS

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The Manager,
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POINTS OF VIEW

Rural unemployment: A direct approach

Dr P.S. Saxena
and
Dr R.M. Dubey

SINCE THE beginning of planning, the reduction of unemployment has been one of it main objectives, The premise behind the stretegy of development in the earlier Plans had, however, been that an accelerated rate of growth in the economy would, by and large, take care of the problem of unemployment. The experienc of last two decades of economic development has belied this presumption because massive investments have been made in our Plans which resulted in an all-round increase in per capita income but instead of decreasing unemployment we are faced wi h the spectacle of increasing unemployment. Hence, it is now being increasingly felt that reliance on growth alone without directly tackling the problem of unemployment can no longer ensure a satisfactory solution to the problem. This feeling has been reflected in the measures adopted by the government recently to uplift the weaker sections of the society through the mechanism of special employment-oriented rural development programmes.

in depth study

The present article studies in depth the size and nature of rural unemployment and the various programmes launched by the government to attack this problem. It also examines the remedial measures suggested by the Bhagwati Committee on Unemployment in its interim report* submitted on February 12, 1972 to Mr. R.K. Khadilkar, minister for Labour.

As a natural first step, it is necessary to assess the dimension of unemployment and under-employment in all its aspects. The dimension of unemployed labour force is wide in range and manifold in composition. Its other facts are disguised unemployment, self-employed family and so on. It may be pointed out here that the position of rural unemployment has been grave as agriculture employs 70 per cent of our total working force and hence poses a great threat to the norm of "growth with social justice". In this context the view of Prof. Dandekar and Prof. Rath that "urban poverty is only an overflow of rural poverty and as such for its eradication, a situation will have to be found through the programmes intended for the uplift of the rural unemployment", should be accepted.

It is difficult to measure the magnitude of rural unemployment accurately in the country. The empirical studies and estimates made by the Planning Commission, National Sample Survey, Labour Enquiry Commission and Reserve Bank of India suggest that a huge amount of labour force is surplus in terms of both quantity and quality, i.e., working days or hours.

The Planning Commission estimated that the level of rural unemployment was 8.5 million at the end of the second Plan and 16.4 millions at the end of the third Plan. The draft fourth Plan (1966) mentioned that the backlog of unemployment was expected to be nearly 9 to 10 million out of which three-fourths, i.e., nearly 7.5 millions is in rural areas. In the fourth Plan no figures have been given for unemployment or disguised unemployment. The total addition to the working force between 1961-76 has been shown as 70 millions in the third Plan document. The addition during 1966-67 to 1970-71 was assumed to be 23 million. Assuming the same urban rural ratio as under the third Plan, the addition to the labour force in the rural areas would amount to 15.3 millions. Thus, between 1966-67 and 1970-71 something between 22.8 to 31.8 million jobs would be required in the rural areas to absorb the backlog of the unemployed and the new entrants.

The various National Sample Surveys have presented different percentages of rural unemployment on the basis of different reference periods. The percentages of rural unemployment given by NSS vary from 0.05 to 6.46 as given in Table I.

TABLE I

Unemployed as Per Cent of the Total Population in Rural Areas

Round	Duration	Reference period	Unpaid family workers	Per cent unemployed
4th	April-Sept. 1952	Gainful Occupation Concept	17.11	0.05
6th	May-August 1963	One Month	13.77	0.05
7th	Oct.-1953 March-1954	One Month	11.09	0.21
9th	May-November 1955	Usual Status One Year	10.28	0.29
10th	Dec., 1955-May 1956	One Day	9.41	0.87
11th and 12th	Aug., 1956-Aug., 1957	One Day	12.64	2.35
11th and 12th	Aug., 1956-Aug., 1957	One Day*		6.46
14th	July 1958-June 1959	One Week	14.75	2.34
15th	July 1959-June 1960	One Week		1.92
16th	July 1960-June 1961	One Week		1.62
17th	Sept., 1961-July 1962	One Week		1.92
19th**	July 1964-June 1965	One Week		1.75
21st	July 1966-June 1967	One Week		1.10

*Figures relating to the agricultural labour households only.
**Data are based on the integrated household schedule.

Sources: NSS, Various Rounds presented in 'Report of the Committee of Experts on Unemployment Estimates', 1970.

*The final report was presentcd by Mr B. Bhaghvati to Mr K.V. Raghunatha Reddy on May 15. A summary of its recommendations appears in the Records and Statistics section.

Table I indicates that a certain portion of rural labour force is altogether jobless. The extent of unemployment can be measured more correctly if the percentage of unpaid family workers is taken into consideration. The unpaid family workers are those who mostly work on their own small farms because of the lack of opportunities to do work elsewhere. The proportion of the unpaid family workers estimated by the NSS in its various rounds vary from 17.11 per cent to 9.41 per cent because of the application of different reference periods. On the whole, more than 10 per cent of the rural population constitutes unpaid family labour force, that is self-employed. This is also a kind of unemployment in Indian agriculture. The employed and self-employed labour force taken together will roughly be about 13 per cent of the total rural population of the country.

under-utilised labour

The First Agricultural Labour Enquiry points out that the all-India figure for man-days unemployed per agricultural labour was 90. It implies that one-fourth of the labour time available to labour force is under-utilised in the process of agricultural production. The Second Agricultural Labour Enquiry shows that the all-India male and female days utilised in agriculture by wage employment were 197 and 141 in a year and by self-employment were 40 and 27, respectively. This implies that about 50 per cent of the labour time available to a male and female labour combined is not put in agriculture. According to the Third Agricultural Labour Enquiry, the level of agricultural wage-employment was equal to 208 days for men, 138 days for women and 167 days for children in a year. Thus, it has shown some improvement in the number of working days employed.

The Reserve Bank of India undertook a study of this subject and its findings were published in December 1969 issue of the Reserve Bank of India Monthly Bulletin. According to this study unemployment was estimated at 3.3 millions at the beginning of the first five-year Plan, i.e., in 1950-51. By the beginning of the second five-year Plan, i.e., in 1955-56 it was reported to have swelled to 5.5 millions and at the start of the third five-year Plan in 1960-61 to 7.5 millions. At the end of 1965-66 (the last year of the third five-year Plan) the backlog of unemployment was estimated to have risen to 9.5 millions. Then followed holiday in planning but the number of jobless went on increasing. According to the RBI study, it rose to 12.6 millions in 1968-69. The ranks of the unemployed continued increasing and according to the latest figures of employment exchanges regarding applicants on the live registers as many as a million additions were made between July 1970 and July 1971. It is safe to presume that more than two million persons joined the ranks of the unemployed every year in the three-year period ending in 1970-71. The number of unemployed at present should, on this basis, be very near to 20 millions.

The study conducted by Dandekar and Rath has estimated rural unemployment to be 40 per cent of the actual population of which 10 per cent are unemployed because they do not possess any effective earning capacity and the remaining 30 per cent of those who possess the earning capacity but are unemployed or under-employed.

Though there is controversy regarding the exact magnitude of rural unemployment yet the fact remains that a sizable portion of rural working force is either unemployed or under-employed. The proportion of unemployed may not be less than 15 per cent of the total rural population, if estimates given by different sources are taken into consideration. This proportion is very high as compared with the 5.9 per cent (the highest recorded so far) of unemployed in US economy.

nature of the problem

After agreeing with the size of the problem, one has to explain the nature of rural unemployment which has been done only implicitly by different studies. Analysis of the nature of rural unemployment presents many problems. It is a paradox of Indian conditions that the rural unemployed do not desire to work unless they are pushed to the brink of starvation. They prefer unemployment to a low wage. The Ambar Charkha programme is a pertinent example. Planners are also aware that the charkha users could not be pursuaded to continue this vocation on the plea that even earning 50 piase a day is better than not earning anything at all. An unemployed person is always tempted to compare the low wage available to him with the sizeable wage current elsewhere, no matter occasionally.

In rural areas where a large number of persons are unemployed, a number of on-going schemes have remained unutilised mainly because of the non-availability of labour to implement the schemes. Even for agricultural work, in various states, for example, Punjab, Haryana, parts of Madhya Pradesh, Gujarat, Maharashtra and other prosperous wheat and cash crops areas, there has been a sea-change in the labour market. Wage rates are up and shortages of labour are being experienced.

Yet another illustration of the prevalence of work co-existent with non-availability of adequate labour thereby making the agricultural operations suffer, is offered by the scheme of Intensive Agricultural Development (IAD) in selected districts. The scheme suffered acutely in most of the districts owing to non-availability of adequate labour for agriculture. Thus, unemployment in Indian economy is, in fact, co-existent with availability of jobs.

peculiar features

Rural unemployment emanates mainly from the agricultural sector with two peculiar features which have their origin in the rigidities of underdeveloped economy. As the process of economic development gathers momentum, the regidities tend to diminish. The two features are:

(1) Seasonal nature of the agricultural operations, and (2) the disguised nature of agricultural unemployment. Any remedial measures, contemplated to convert the vast rural unemployment into a productive working force have to take note of these two features

The seasonal nature of agricultural unemployment is essentially the problem of inelasticities of the time-pattern of primary production. The demand for labour in such agricultural operations, therefore, though acute and vast is always with reference to a time. As a corollary the working force thrown out by agriculture to seek employment elsewhere is not regular or a continuous flow of job-seekers. Further, the seasonal nature does not imply, as the word denotes, that there are well-defined reasons with precisely measureable duration during which labourers remain employed on the fields or needs to be employed outside agriculture.

From this view-point, the rural unemployment is of sporadic character. Seasonality differs from region to region and from year to year for the same region. The farmer is not totally free for a given period to accept outside jobs even when they are available and though he needs them most, unless they are complementary in time to and co-extensive with his period of idleness.

Disguised unemployment, which is even

more severe in rural areas, implies that a part of agricultural labour force may be removed from agriculture without reducing the output per hectare. The intensity of disguised unemployment too differs from region to region.

During the last two years, the government has launched a number of programmes to face this growing challenge of unemployment. It is in this context that the projects such as Small Farmers' Development Agency (SFDA) and Marginal Farmers' and Agricultural Labour (MFAL) schemes were initiated. The fourth Plan has proposed an outlay of Rs 67.5 crores on SFDA and Rs 47.5 crores on MFAL. The idea behind the Small Farmers' Development Agency is to extend all facilities to the potentially viable small farmers so that they can become viable. There is scope, therefore, for the economic development of such farmers. This is not so in the case of marginal farmers and agricultural labourers whose potential viability itself is doubtful. In their case arrangements will have to be made to ensure that they get employment at a reasonable minimum wage continuously for the whole year.

co-ordination needed

Assurance of regular employment could be the only content of any programme of economic development envisaged for this class. What is required is an attempt to secure proper co-ordination between the SFDA and the MFAL and the long-term investment projects, on the one hand, and the organisation of labour camps of job-seekers with a view to establishing complementarity among them, on the other. Very little, if anything at all, has been done so far to achieve this co-ordination with the result that the long-term investment programmes suffer on account of labour shortages while agricultural labourers are denied a continuous source of income from assured employment. As a result, these schemes have not yet made much headway.

The Crash Scheme for Rural Employment launched in April 1971 is additional to other schemes such as SFDA and MFAL. The scheme is operated through state governments with hundred per cent central asistance. An amount of Rs 50 crores was initially set apart for financing this scheme in 1971-72. Providing employment for 1,000 persons in every district is the objective of the scheme. The scheme is also linked with the creation of rural assets which will contribute to agricultural productivity. Wages to be paid to agricultural labourers are commensurate with those prevailing during off-season. An amount not exceeding a fourth of the total wage bill for any project is to be spent on materials and equipment. Families in which no one is employed are given preference over those in which there are under-employed or seasonally employed workers.

The different types of works being taken up in the districts under the Crash Scheme are:—(1) rural infrastructure including road-works; (ii) land reclamation and development of Panchayat lands; (iii) drainage embankments; (iv) water conservation-cum-ground water recharging works; (v) minor irrigation works like construction and restoration of storage tanks; and (vi) soil conservation or afforestation schemes requiring manual labour.

crashed programme

Regarding the progress of this scheme it may be said that this Crash Programme has all but crashed. The union minister for Agriculture, Mr Fakhruddin Ali Ahmad, while inaugurating a two-day seminar-cum-workshop on the Crash-Scheme for Rural Employment, stated that there had been problems connected with the formulation of projects of a durable nature and yet of optimum size. Problems also related to technical feasibility, location of projects and creation of suitable machinery at different levels for implementation. He also informed that the Crash Scheme which was to be launched from the current year, would now be launched in all the states in October next. It implies that Crash Scheme has not generated any actual employment so far.

The Bhagwati Committee on unemployment, set up by the government of India in December 1970 has in its interim report suggested a financial outlay of Rs. 2000 crores (Rs 740 crores additional and the remaining Rs 1260 crores already included in the Plan's expenditure) for the various schemes which would generate four million jobs in different sectors in the next two years. The main short-term remedial measures proposed by the committee to ameliorate the prevailing situation essentially involves a step-up of the fourth Plan investment outlays on the "more labour intensive" programmes such as (i) minor irrigation, (ii) rural electrification programme, (iii) rural road construction, (iv) rural water supply, (v) rural housing programme, (vi) adoption of a double-shift system for lower primary education and a programme of part-time education for the drop-outs from schools as well as short-duration courses for one and a half hour in the evenings for six months for illiterate adults, to be organised "in 100 selected districts where the number of educated unemployed is comparatively large", and (vii) maximum utilisation of installed capacity in industry and reopening of closed sick units.

The committee has qualified its estimates of employment potential of the recommended programmes by recognising that "it is extremely difficult to estimate in precise terms their contribution to the growth of employment". However, Table II summarises the committee's proposals about financial outlays, the sources of funds and the rough estimates of "direct" additional employment potential.

A perusal of Table II reveals that the committee has been over-optimistic while estimating the additional employment from different programmes in rural areas. The committee estimates that the additional employment from the various programmes related to minor irrigation will be of the order of 27.5 lakhs, comprising 4.5 lakhs skilled and 23 lakhs unskilled workers. Similarly, the use of about Rs 135 crores of funds of financial institutions for rural electrification would normally imply corresponding reduction in funds provided by them for other sectors, with some lowering of the employment potential.

employment potential

There is the question of employment potential of the additional investment of Rs 110 crores (from budgetary fund) proposed for rural roads whose importance for the infrastructure of the rural economy is too well-recognised to require elaboration. With a norm of 5,463 man-years of employment per rupees one crore of investment, the proposed additional investment of Rs 110 crores would create employment potential of some 600,000 man-years. the committee estimates the addition al employment potential at 850,000 man-years.

The committee's proposal regarding the rural housing programme really aims at raising the annual rate of construction of pucca houses from about 0.65 unit per 1000 population (or 260,000 new units during 1967-68 estimated by the 22nd Round of the NSS) and 0.7 per 1000 (or 310,000 units) during 1971-72 (expected by the committee) to 0.8 and 0.9 per 1000 population (360,000 and 410,000) during 1972-73 and 1973-74 respectively. As

Prof. Visaria pointed out that, given the committee's estimate of construction cost of Rs 3000 per unit, the additional investment proposed would be only Rs 45 crores and not Rs 230 crores shown in the interim report. The total additional outlay proposed by the committee amounts, therefore, to Rs 565 crores and not Rs 740 crores.

The committee's recommended programme of eradicating adult illiteracy through short-term part-time courses, operated through educated unemployed provided with a small honorarium, may run into difficulties through unsteady work by the newly-appointed teachers who would be looking for stable full-time jobs and may be moving frequently. They would also need intensive training to enable them to command respect from their elderly students.

The committee's attempt to focus attention on the under-utilisation of installed capacity in various industries is a positive contribution made by it. Many industries are known to be operating around 50-60 per cent of their installed capacity and if policies could stimulate better working, it would be an effective way of generating employment in industrial areas. However, the proposed employment surcharge on companies, and the advertisement tax, are precisely the kind of levies which will go against the scheme.

It may be also noted that many of the committee's proposals such as improving the marketing arrangements for such products as milk, eggs and poultry, the introduction of pilot projects for all-round development in small campact areas, additional investment in minor irrigation, rural electrification and water supply and larger provision of rural credit, are already being implemented albeit imperfectly.

The overall analysis of the subject leads to the conclusion that though much has been said since the last few years to tackle the problem of unemployment, the actual performance has been very meagre. The urgent need is to prepare a pool at the national level of the working force which is unemployed or under-employed. This pool should be further divided into sectors such as (i) illiterate or literate up to primary or junior basic, (ii) literate up to high school or higher secondary (technical), (iii) literate upto high school or higher secondry (non-technical), (iv) above higher secondary (technical), and above higher secondary (non-technical). Each of the above sections should be again sub-divided into (a) wholly unemployed, and (b) partly unemployed—this includes seasonal as well as disguised unemployment. The various employment oriented programmes should be formulated in such a way as to provide relief to all the sectors of unemployed and not only to a particular sector. Before chalking out the programmes for solving the problem of unemployment, it becomes inevitable to make the assessment of the volume of unemployment in all its aspects.

TABLE II

A Summary of the Interim Proposals about Total and Additional Outlays (in crores of rupees) During 1972-74 on Various Programmes and Their Employment Implications

Programme/Scheme	Outlay proposed	Outlay to be met from the fourth Plan allocations	Proposed Sources of Outlay				Rough estimates of direct employment potential during 1972-74 (in lakhs)		
			Additional outlay proposed	Budget	Financial institutions	Private Investment	Total	Unskilled	Skilled
1. Minor irrigation	675	575	100	..	100	..	27.50	23,00	4.50
2. Rural electrification	325	90	235	100	135	..	..	Not provided	
3. Road and inland water transport	587	477	110	110	..	..	8.50	Not provided	8.50
4. Construction of rural housing	230	..	230	20	30	180	(2.00)	(1.33)	(0.67)
5. Rural water supply	116	51	65	50	15	..	0.52	0.44	0.8 (Engineers)
6. Education	130	130	..	..	..	..	2.80	..	2.80 (Educated)
Total :	2063	1323	740	280	280	180	..	..	..

These figures are shown on p. 26 of the interim report.

The figures are not added up because the estimates of employment potential of most schemes are in terms of man-years whiel in those for the educational programme and the employment for engineers relate to persons.

Financial institutions in regional growth

Dr R. M. Srivastava

SINCE THE advent of planning, India is poised for a major breakthrough in industrial development for the accomplishment of rapid economic advancement of the country. The correction of regional imbalances has been one of the long-term objectives of economic and social policies embodied in the country's five-year Plans. To give impetus to the economy of backward areas various incentives—fiscal, financial and other—were provided by the government from time to time. However, these steps met with only partial success. With a view to accelerating the pace of progress in comparatively less developed regions mere provision of fiscal and financial incentives to encourage private investment is not sufficient. This is for the fact that the industrialists are reluctant to set up projects in relatively less-developed areas which lack, among other things, infrastructural facilities.

Nevertheless these areas sometimes possess rich development potentialities. What is called for is government and its agencies undertaking a comprehensive survey of underdeveloped areas with a view to identifying the industrial potentialities of such areas and pinpointing specific industrial projects which could be taken up for implementation, to prepare feasibility studies of such projects and finally, to entrust the projects to talented entrepreneurs and technologists whose enterprise in thwarted by lack of finances.

concrete steps

It is gratifying to note that the government has in recent years taken some concrete steps, *viz.*, the appointment of the Pande Committee in 1968 to identify backward areas and allocation of central assistance to projects set up in these areas in the form of a subsidy to the extent of 1/10th of the fixed capital investment of new units provided fixed capital in each case does not exceed Rs 50 lakhs. However, it was realised that the existing financial corporations should lend a helping hand to the government in the task of the all-round economic growth of the country.

It is heartening to observe that the financial institutions in India have, of late, recognised the desideratum of securing balanced growth of the economy. Policies and programmes of these institutions have accordingly been reoriented in recent years. In their endeavour to foster balanced development in the country, special financial corporations, (IDBI, IFCI, ICICI and IRCI) have provided sizeable amounts of financial assistance to industrial undertakings located in the relatively underdeveloped states/union territories, as classified by the Pande committee. Of the total assistance of the order of Rs 1477.64 crores sanctioned by the financial institutions (IDBI, IFCI, ICICI and IRCI) up to the end of June 1972, roughly 18 per cent, i.e. Rs 267.24 crores, was accounted for by Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Uttar Pradesh, Andaman and Nicobar islands and Goa, specified as less-developed states/areas.

IDBI's contribution

An analysis of institutional pattern of the assistance sanctioned to industrial projects located in backward regions of the country reveals that the IDBI provided the largest proportion of the total institutional assistance (47 per cent) followed respectively by the IFCI (40 per cent), ICICI (12.4 per cent) and the IRCI (0.61 per cent). In fact the IDBI took the initiative in this direction. It provided financial help to companies situated in relatively less-developed regions of the country right from its inception. Such assistance represented one-fourth of the Bank's total direct assistance up to the end of June, 1972, and during the last two years—1970-71 and 1971-72—the Bank has spared a little less than half of its total assistance (46 per cent) to industrial projects located in the backward regions.

With a view to giving added impetus to the economy of the less developed states the IDBI introduced in 1970 two schemes of concessional financial assistance to small and medium-sized projects set up in these areas. The first is the provision of concessional refinance to SFCs/banks in respect of all eligible loans up to Rs 20 lakhs and the second relates to direct assistance for setting up small projects in backward districts/areas. Up to the end of June 1972 assistance sanctioned under the above schemes amounted to Rs 17.8 crores—Rs 14 crores in the form of direct assistance, and Rs 3.8 crores by way of refinance of industrial loans.

dispersal of industries

The Industrial Finance Corporation also recognised long back the need for achieving dispersal of industries. The corporation's assistance since its inception, has covered 68 districts and three union territories out of the total of 211 districts and territories notified as less-developed areas with a total assistance of the order of Rs 107.11 crores spread over 148 industrial projects. This accounts for about 27 per cent of the corporation's total assistance sanctioned up to 1972. During the last two years—1970-71 and 1971-72—the IFC provided one-third of its total assistance to less-developed regions.

Recently, the management of the Industrial Credit and Investment Corporation of India Ltd (ICICI) has also agreed, as a matter of policy, to offer loans to industrial concerns located in the backward regions. So far the corporation granted Rs 44.1 crores to industrial projects set up in the above regions forming 13.2 per cent of its total assistance; of this, Rs 11.5 crores was sanctioned during the last two years.

The Industrial Reconstruction Corporation of India Ltd (IRCI), formed in 1971, has so far sanctioned Rs 2.4 crores out of the total grant of Rs 6.6 crores to the industrial undertakings set up in relatively less developed areas of West Bengal.

Recently, the financial corporations have in their endeavour to foster industrial growth in less-developed areas announced package of concessions to be provided to those making investment in these areas. These include granting of direct loans at a concessional rate of 7 per cent interest (against the normal rate of 8½ per cent), extension of the grace period for repay-

ment of loans from the normal three years to five years, longer repayment of 10-15 years and reduction in the commitment charge on the underdrawn balance of the loan, charging a lower underwriting commission and relaxation of the terms pertaining to promoter's contribution for loans. These concessions are normally available to projects, total cost of which does not exceed Rs one crore. The IDBI also gives concessional refinance at 3.5 per cent interest to banks and SFCs.

In addition to the provision of concessional financial assistance, the financial institutions have, of late, assumed the entrepreneurial role solely with a view to stimulating industrial growth in the underdeveloped areas. During the past three years these institutions, under the aegis of the IDBI, have played the role of promoters in identifying industrial potentialities in underdeveloped areas, initiating feasibility studies, searching talented managers for these projects and setting up of effective machinery for project supervision.

So far the financial institutions have completed surveys through their study teams in Assam, Arunachal Pradesh, Bihar, Jammu & Kashmir, Madhya Pradesh, Manipur, Nagaland, Orissa, Rajasthan, Tripura, UP, Chandigarh, Goa, Daman and Diu, Himachal Pradesh and Pondicherry with a view to pinpointing growth potentialities. The survey reports have not only indicated the scope for industrialisation within the region covering all types of industries but have also identified a number of specific industrial projects which could be taken up for implementation in the near future. The IDBI is also interested in the exploitation of identified project ideas by the potential entrepreneurs. That is why the search for potential entrepreneurs is receiving serious attention of the Bank. It has also suggested suitable entrepreneurial/managerial training programmes.

The IDBI is also in constant touch with the SIDCs in some states as well as some industrial houses for undertaking the implementation and management of the identified projects in the joint sector and providing on-the-job training to potential managers who could take over the management after a certain period of time. Thus, the financial corporations in the country are playing positive role in the industrial development of relatively less-developed regions.

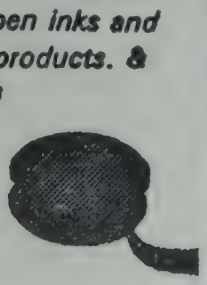
Considering the magnitude of financial requirements, the quantum of assistance provided by the financial institutions to projects in less-developed areas may not be very significant. Yet the type of assistance granted by these institutions, the interest shown by them and the change perceived in the attitude of their management for the balanced growth of the nation are certainly laudable. The new role assumed by the institutions which is in consonance with the government's emphasis on developing backward areas, is timely and welcome. In this regard it would be advisable for the financial institutions to concentrate on agro-based industries, particularly animal husbandry, silk, tobacco, oil-seeds and textiles, which are in a far better position to develop in the backward regions than the heavy producer-goods industries.

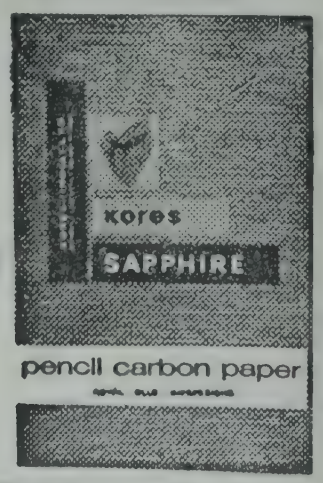
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AMONG the components of expenditure that go to make up GNP—private and public consumption, investment in bulidings, machinery and equipment, changes in stocks and export or import surplus—private consumption is by far the largest. It accounts on average for about one-and-a-half times as much as all the other components combined throughout OECD member countries. The dispersion round this average is, however, surprisingly large. As a proportion of total GNP, private consumption amounts to 71.6 per cent in Portugal (in 1967-69), but only 52.1 per cent in Japan. Owing to the low level of public consumption as well, Japan, with its famously high investment, is in a category of its own, but Portugal's high proportion of private consumption is in line with other south European countries, except Italy and in general with that recorded for countries with relatively low per caput incomes.

These characteristic differences between countries are seen in the EEC, where Italy and Ireland have the highest allocation of resources to private consumption. The weighted average for the nine countries, however, at 60.3 per cent is close to the average for the whole of the OECD (60.2 per cent) or for OECD Europe (60.6 per cent).

Private consumption grows relatively at fixed prices

When we examine changes in the proportion of GNP allocated to private consumption over a period of years, a striking difference emerges between the trends based (a) on the constant prices and (b) on current prices. In constant prices, in most EEC countries private consumption has grown faster in recent years than public consumption, and its growth rate has been much in line with that of GNP.

—But diminishes at current prices

But when the share of private consumption in GNP is measured in current prices, it shows a fairly steady decline, while the share of public consumption grows.

Table III gives figures for West Germany which show the trend clearly over two decades or more. Similar trends are found throughout the EEC as given in Table IV.

The reason for the discrepancy between the trend derived from constant prices and from current prices is that throughout the EEC the prices of government current expenditure on goods and services always rise faster than the general price level or the price level of private consumption goods and services. Not only throughout the EEC, however: the phenomenon seems world-wide, and though its documentation is only recent, it is probably of long standing. The reasons for it are not far to seek, and if governmental projects such as the Concorde supersonic airliner are anything to go by, the same rule probably applies to government investment expenditure. What is perhaps surprising is the degree to which this characteristic of public expenditure price trends is true. See Table V.

We assume that the trends established in the last fifteen to twenty years will continue in the 1970s: that, in other words, in constant terms private consumption will grow faster than public, while in current terms it will account for a relatively dimishing share of GNP. In a number of countries, however, this relative rate of decline is expected to slow down, although this may prove wrong if, for example, government spending on environmental programmes grows faster than some present projections. Another area of uncertainty is government current spending on defence: this will decline relatively in the UK, for example, if the UK's entry into the EEC brings this

TABLE I

Private Consumption as a Percentage of GNP

(GNP at market prices, 1967-69 averages)

Belgium	62.8
Denmark	62.7
France	60.6
West Germany	56.2
Ireland	69.2
Italy	63.3
Luxemburg	58.7
Netherlands	56.4
United Kingdom	62.8
(Weighted) average	60.3

Source: National Accounts of OECD countries

TABLE II

Growth Rates of GNP and Consumption

(1955-69 average rates at 1963 prices)

	GNP	Private consumption	Public consumption
Belgium	4.1	3.4	5.6
Denmark	4.8	4.4	5.3
France	5.8	5.7	3.3
West Germany	4.4	4.5	3.8
Ireland	4.1	3.6	3.7
Italy	5.6	5.6	4.2
Luxemburg	3.0	3.7	2.2
Netherlands	4.7	5.2	2.3
United Kingdom	3.0	2.8	1.9
(Weighted) average	4.6	4.6	3.4

WINDOW ON THE WORLD

component of GNP proportionately in line with that of other member countries.

In current terms, the picture again contrasts with that of constant price data; the projected share of private consumption in GNP diminishes in all EEC countries throughout the 1970s, while the share of public consumption grows. It must be emphasised that we are considering relative shares of GNP: in absolute terms, private consumption is, of course, expected to grow in all countries, whether in current or fixed (deflated) prices. This is in keeping with past trends. As estimated in current prices, private consumption in the EEC countries more than doubled, in some cases even trebled in the 1960s.

consumer durables

The breakdown of private consumption into its major components shows similar trends throughout the nine countries, thought there is again a difference between the pattern that emerges from current price and from constant price data. In constant (1963) prices, expenditure on food rose about one-third less fast, consumption of durable goods about 60 per cent faster on average throughout the Nine than total consumption over 1955-69. Expenditure on clothing and footwear rose slightly less fast in every country, while the trend in expenditure on rent varied between countries: it rose faster than general consumer expenditure in France and West Germany, at the same rate in the UK, but slower in other EEC countries. See the percentage distributian in Table VIII.

The estimates in constant prices attempt to show the relative quantities of different types of goods (and services) that consumers are getting for their money. Thus, the estimate of expenditure on food. for axample, is based chiefly on the the quantities of different foods consumed, multiplied by average values in the base year. Estimates of expenditure on durables are based on current price estimates deflated by appropriate sections of the retail price index. Rents tend to be base-year estimates projected forwards by changes in aggregate property values, and so on. It is possible that a certain circularity sometimes creeps into these estimates, as price indices are often based on family expenditure surveys, and then some items of expenditure subsequently estimated, at least partly, on the basis of movements in the price index. However, some items in the estimates as checked from other sources. What the constant prices distribution of expenditure tables do show, perhaps, is something like the relative weight or importance of different kinds of goods in a country's standard of living; they suggest that throughout the EEC people have put more and more relative value on consumer durables, at the expense of food. But there are still wide differences between EEC countries which suggest that this trend is far from having exhausted itself.

TABLE III

West Germany : Private and Public Consumption

(as a percentage of GNP at current prices)

	1951 to 1954	1955 to 1958	1959 to 1963	1964 to 8967	1968 to 1972
Private consumption	60.0	58.8	57.1	56.6	55.9
Public consumption	14.6	13.1	14.2	15.5	16.4

Source: Statistisches Bundesamt

TABLE IV

Private and Public Consumption

(as percentage of GNP at market prices)

		Private Consumption	Public Consumption
Belgium	1955-57	68.7	11.3
	1967-69	62.8	13.9
Denmark	1955-57	68.9	12.9
	1967-69	62.7	17.6
France	1959-61	61.7	13.0
	1967-69	60.6	12.4*
West Germany	1960-62	56.9	14.1
	1967-69	56.2	15.8
Ireland	1959-61	74.2	11.8
	1967-69	69.2	12.8
Italy	1955-57	67.1	11.8
	1967-69	63.8	13.4
Luxemburg	1955-57	57.9	11.9
	1967-69	58.7	11.6
Netherlands	1955-57	59.0	14.8
	1967-69	56.4	15.8
United Kingdom	1955-57	66.1	16.9
	1967-69	62.8	18.0

*There was a marked rise in investment in this period.

The constant data tables are based on 1963 prices, but since 1963 there has not only been a general rise in consumer prices throughout the EEC, but the prices of different kinds of goods and services have risen at varying rates. Again, the pattern is remarkably similar throughout the Nine. In all of them, rents have risen faster than the general price index, and in most of them, much faster. The index of food prices has tended to rise slightly slower since 1963 than the general consumer price index, and that of clothing prices also slower, often considerably so. The reasons for the steep rise in rents are also fairly general: they are due mainly to a considerable increase in the cost of land for buildings, which in turn is usually due in part to urban development. The effects of these price trends are apparent in the distribution table based on current prices, which show a larger fall in the proportion of spending on clothing and footwear, and a frequently marked rise in the proportion going to rent.

National statistics on the breakdown of consumer expenditure still leave much to be desired. Many countries still base their estimates on family expenditure surveys that have been outdated in some important respects by shifts in taste and

TABLE V

Price Changes as Percentage of Overall Price Increases (1963-68)

	Consumer expenditure	Government current expenditure	Investment other than housing*
Belgium	97.1	102.0	98.4
Denmark	99.1	114.2	92.4
France	99.6	105.9	95.6
West Germany	100.1	114.0	95.1**
Ireland	96.6	106.6	90.7
Italy	99.6	110.6	98.7
Netherlands	95.1	120.3	93.2
United Kingdom	99.4	109.0	95.1

* Unweighted average of index for non-residential construction and investment in machinery and equipment.

** Including housing

Source : The Growth of Output 1960-1980, OECD, December 1970

in relative prices. West Germany, for example, last conducted a survey in 1962-63, the Netherlands in 1963-65, and Belgium in 1961.

The statistics are deficient in two other respects. First, there are often significant differences between the spending patterns of different economic and social groups in the same country. In West Germany, in 1962-63 it was found that wage earners spend 40.9 per cent of their disposable income on food and drink, while salaried employees spend only 33.9 per cent. In the Netherlands, the percentages were 35.0 and 26.7, in Luxemburg (1963-64), 37.7 and 30.9, in Belgium, 38.8 and 29.8. In all these countries, salaried employees tended to spend more of their income on rent than wage earners. Differences such as these have an important bearing on the market for certain goods.

This is also true of the second major deficiency of the national statistics: the breakdown is not detailed enough. The category "other" includes items which are showing important relative changes and which are of interest to the market. For example, it is known that in most countries of western Europe spending on sports and recreational goods is rising steadily, and probably at a relatively faster rate than many other items of household expenditure. Only one or two

TABLE VI

Projected Growth Rates of Private and Public Consumption

(1969-75 and 1975-80 average annual rates at 1963 prices)

		GNP	Private consumption	Public consumption
Belgium	1969-75	4.8	4.5	4.3
	1975-80	5.0	4.7	4.9
Denmark	1969-75	3.8	2.8	2.6
	1975-80	3.7	3.3	3.7
France	1969-75	5.7	5.6	3.5
	1975-80	6.1	...	...
West Germany	1969-75	4.6	5.2	4.2
	1975-80	5.0	5.2	4.3
Ireland	1969-75	4.3	4.0	3.5
	1975-80	5.1	4.7	3.9
Italy	1969-75	6.1	5.8	4.5
	1975-80	6.0	5.7	4.4
Luxemburg	1969-75	2.2	2.7	0.5
	1975-80	2.9	3.1	0.8
Netherlands	1969-75	4.0	4.7	1.9
	1975-80	4.3	4.2	2.0
United Kingdom	1969-75	3.0	2.7	2.5
	1975-80	3.6	3.1	3.6
(Weighted)) average	1969-75	4.7	4.7	3.5
	1975-80	5.1	4.6	4.0

Source : *Expenditure Trends in OECD Countries 1960-1980*, OECD, July 1972

TABLE VII

Past and Projected Consumption Pattern

(As percentage of GNP at market prices)

		Private consumption	Public consumption
Weighted average of nine present EEC countries	1967-69	60.3	15.0
	1975	58.1	15.5
	1980	56.2	18.6

TABLE VIII

Percentage Distribution of Private Consumption

(at 1963 prices)

	Food		Clothing and footwear		Rent		Consumer durables	
	1955-57	1967-69	1955-57	1967-69	1955-57	1967-69	1955-57	1967-69
Belgium	28.7	24.6	9.7	9.3	11.7	10.0	9.4	13.7
Denmark	26.4	22.0	9.1	8.5	8.7	8.2	11.8	18.2
France	32.9a	28.0	11.2a	11.1	7.5a	7.7	8.2a	11.1
West Germany	36.5b	32.6	12.5	12.3	7.9b	8.9	...	11.6
Ireland	34.8a	31.4c	10.2a	11.1c	9.0	7.0	8.7	14.7
Italy	49.2	42.4	9.7	9.3	11.1	11.3	6.7	9.2
Netherlands	32.1	25.7	14.0	13.3	9.0	7.0	8.7	14.7
United Kingdom	29.2	24.7	10.6	10.6	1.11	11.3	6.7	9.2

a 1959-61 b 1960-62 c 1966-68

Source : *Expenditure Trends in OECD Countries 1960-1980*, OECD, July 1972

TABLE IX

Percentage Distribution of Private Consumption

(at current prices)

	Food, drink & tobacco		Clothing & footwear		Rent		Consumer durables	
	1960-61	1970-71	1960-61	1970-71	1960-61	1970-71	1960-61	1970-71
Belgium	35.0a	31.6	9.6a	9.5	11.0a	10.5	...	8.9
Denmark	32.3b	31.2	7.9	6.2	9.0	9.5	...	18.8
France	31.7c	25.8c	11.8	10.2	6.6	10.2	9.2	9.3
West Germany	37.4d	31.1a	11.5a	10.1a	10.3	11.8a	...	...
Italy	44.6	39.0	10.4	10.2	7.7	9.7	4.0	7.6
Netherlands	36.0	29.3	14.8	12.8	6.6	6.9	12.8	14.7
United Kingdom	37.3	34.8	9.8	9.0	9.9	12.2	7.9	8.0

a Estimate. b 1966. c. Food only. d 1962.

Source : National Accounts for each country ; Family expenditure Surveys.

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countries publish statistics remotely connected with this trend. Thus. in some West German, Dutch and Italian statistics reference is made to "education and entertainment", but few people would find this a statistically useful or even meaningful category.

Sources and acknowledgements : The foregoing summarises by special arrangement, a Report in Depth in the latest issue of *European Trends* published quarterly to subscribers only by the Economist Intelligence Unit, 27 St. James's Place, London SWIA : INT, but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Punch-for-punch farm trading

E. B. Brook
Vienna.

IT WOULD be pleasant, for a change, to be able to write a really happy piece about west Europe's business, commercial and financial affairs. But economics, known traditionally as "the dismal science", has the habit of promising always bright future and nothing but worry, concern and dismay today.

Certainly, that is very much the case today. Two weeks ago the United Nations Economic Commission issued a forecast that the outlook for a fast growth in the volume of world trade is "very good", that an upsurge in west European demand should benefit American manufacture and that west Europe's quickening pace of expansion should continue and increase. The sad note, even in this cheery forecast, arrived when reference was made to the west European consumer who was given some sympathy for having seen overall prices rise by 6.4 per cent in 1971 and by a further 6.9 per cent last year. The poor man's prospects for this year are no better — in fact, worse — since the IMF has just told us that the average rise in prices in the last 12 months ending February was over 7 per cent in west Europe and that wholesale prices were moving on now to increases of between 8 and just over 10 per cent. This gloomy picture shadows west Europe from Italy to Sweden with Italy and Austria leading the race upwards and with Britain very close behind. At the moment the overall distrust in the enduring value of money is shown by the new record price for gold at 110 US dollars per troy ounce.

embarrassing liquidity

There is, of course, ample money in circulation with banks swimming in liquidity. This excessive and embarrassing liquidity has enabled, among other developments, the Soviet Union to raise loans approaching 200 million dollars, with designs for still more similar loans, to help it pay the USA for its grain purchases last year without having to touch its own gold reserves. But west European industry, including that in Britain, appears reluctant to make anything like as much use of the banks' lending potential as they might for increasing their own capital investment. While the banks everywhere in west Europe do their best to help cool overheated economies and hold inflation in check by offering uncommonly high rates of interest to the public for four or five year loans in the hope of reducing the volume of cash in circulation, industry — itself flush with cash — hesitates to borrow to carry out major expansion schemes that are necessary to remain competitive with the USA and Japan and necessary to keep unemployment from increasing to levels that might cause social and political embarrassment.

lack of confidence

Unfortunately for these bank and public loan schemes the investor, more money and investment-conscious now than he and she have ever been before, is chary of lending for more than very short term because they consider, without the least cynicism, that by the time they have received their interest of even 10 per cent or more and recovered their capital the buying capacity of money will have more than offset their gain. It is very largely this lack of confidence in money, reinforced by nearly ten years' alarms of international exchange value crises caused by huge money movements and culminating in the present almost universal "floats", that has pushed up land and house values and rents to a level that alarms the ordinary citizen. It leads alike to some reckless expenditure in order to buy before money values fall farther and to the seeming greediness of farmers over prices for their products and of workers' unions for wages.

The latest country to take emergency measures to help cool off the economy is west Germany which raised its bank discount rate to 6 per cent on May 3 and one week later, imposed a 10 per cent "temporary" surtax on income and corporate taxes. A planned federal and state budget expenditure has similarly suffered a curb of 10 per cent which will reduce the German states' budgets alone by 660 million marks and the federal budget by even more. The total sum that will be taken out of circulation is impossible to estimate at all accurately at the moment but the sum total of measures, including an increase in petrol taxes, will be well over 15,000 million marks. The stringency of these German measures and the strict controls imposed by a new programme introduced this week in France designed to hold price increases this year to one per cent prove how serious are the inflationary prospects this spring and summer in west Europe. Governments are, for the most part, doing what they can to steady prices and maintain money's value in an overall economic boom but much will depend also on the prices and wages policy of employers and trades unions. In any case, the process of achieving economic stability will take time. A factor making for delay is that wage increases demanded and given to help meet the riding cost of living delays the time when the greater part of the populations, the workers, come at last to realize how critical the situation is and how much more critical it could be fairly soon.

undeserved rake-off

It is against this west European background that the Common Market put on one of its most disheartening displays in its farm prices deal in Luxemburg early this month. The rich farmers continue, at least for another year, to gain an undeserved rake-off; the small farmers can still subsist by working from dawn to dusk; butter, at cost to the west European families, is sold to the Soviet Union at knock-down prices; sugar is produced very largely to be made into glue and the whole process costs the nine members of the Market £2,000 million a year. There

is not the slightest prospect of any less mad a situation evolving in a year's time partly because a solid Dutchman who now has charge of the Common Agricultural Price, after five years as Holland's farm minister, is determind to preserve the present situation and because the French and Germans are afraid to change their system of border taxes for internal political reasons. The impact of the British has been far less than expected, partly because nothing can be more immovably obstinate than the prosperous European farmer.

This is the general situation in west Europe a trifle bemused by its economic boom as its money steadily buys less at home in the months immediately preceding some of the mosti mportant international economic negotiations of this century, when the GATT trading rules will be overhauled and an America with a very changed outlook meets critically with the all-too-comfortable Europeans and the go-ahead Japanese.

While Europe has amused itself in the last few weeks looking at the embarrassment of President Nixon over the Water gate affair it has ignored the chill that was very evident at the significant meeting in Amsterdam in April when the depth of suspicion between the United States and the west Europeans and the disunity among the latter stood revealed, More disturbing still was the extraordinary lack of interest among the Europeans in Atlantic affairs. The post-war Atlantic relationship is in danger of being forgotten partly because Europe has had peace for more than 25 years and partly because, first the Europeans and now the Americans, are more concerned with improving relations with the Soviet Union and with China than with maintaining old and valuable friendships. The cold war is over and cool comradeship has supervened. It is an unfortunate circumstance when the USA is radically changing its trading policies as well as relaxing towards communist powers and when Japan challenges both partners of the Atlantic Pact in world commerce.

Europe has not yet realized that the USA is determined in the coming negotiations to provide for expansion in its agricultural trade—in livestock, tobacco, soyabeans and citrus fruits as well as in grains—and to reduce if not demolish agricultural trade barriers. The cosy Europeans will receive a shock if and when they are exposed to competition from the far more efficient American farmer. For the Europeans' average family it may be no bad thing if windows are opened more widely to farm product commerce but in punch-for-punch farm trading there would be widespread and sometimes tragic casualties among the European farmers.

Israel is twentyfive

Hardev Singh

ISRAEL CELEBRATED the 25th anniversary of its independence on May, 7. This young nation has made remarkable economic progress during these years. The GNP of Israel has increased from $ 700 million in the fifties to $ 7,000 million in 1973, per capita income rising from $ 650 to $ 2,000.

At least two factors have helped in this spectacular growth. In the first instance the sense of commitment of its people has brought out the best in them. A World Bank mission in 1968, for instance, considered them "a capable and determined population with a broad base of well-educated and energetic people who proved able to overcome the difficulties of economic development with great ingenuity".

Surrounded by hostile Arab nations, Israelis revealed exceptional determination to make their country a viable state. Immigrants have continued to move into Israel in ever-increasing numbers and have swelled the population of Israel in 25 years from 900,000 to 3.2 million, out of which about 2.75 million are Jews. Among the 1.5 million immigrants are people trained in efficient management of industry and agriculture. It is their determined efforts which explain the progress achieved.

Another favourable factor that has helped the growth of Israel has been the inflow of capital. Since its establishment there has been an inflow of capital of the order of $ 17,000 million out of which nearly half of the amount was in the form of unilateral transfers and the remaining as long term and medium term loans and investment.

Output in the field of agriculture has increased hundred-fold between 1948 and 1972, although its relative importance in the economy has dropped with only 8 per cent of the people working in this field as against 16 per cent in 1948. The future expansion in agriculture is limited due to serious shortage of water resources as well as of cultivable land. Meanwhile, production in the field of industry has increased 18 times between 1948 and 1973. The rise in industrial production was particularly marked in the case of sophisticated items such as electronics, transportation equipment, machinery and metal products. Textiles and foodstuffs also revealed significant increases.

Israel has made considerable efforts to increase exports so as to manage its imports as far as possible. Between 1968-72 exports from Israel have increased by more than 75 per cent. Largely this increase has been achieved by accelerated exports of industrial goods which increased from $ 275 million to $ 561 million against the export of agricultural products which increased from $ 112 million to the $ 160 million. In this context it may be pointed out that progress of technology has helped this progress. Among agricultural products, Israel has successfully found a market for its fruits and vegetables, particularly oranges. In 1972 the exports of citrus fruits alone earned more than 100 million dollars for Israel,

The direction of Israel's trade is heavily in favour of Common Market and the USA, particularly in case of imports. In 1972 Israel imported $ 365 million worth of goods from the USA $ 363 million from Britain and $ 225 million from West Germany. Israel's exports are directed towards the US to the extent of $ 223 million. The next important buyer of Israeli products is Britain to the extent of $ 110 million. West Germany's imports from Israel in 1972 were to the extent of $ 103 million and Japan's to the extent of $ 63 million. Hongkong imported from Israel to the extent of $ 61 million in that year.

Diamonds are an important exchange earner for Israel. The export sales of this item were to the extent of $ 385 million in 1972. Israel soon hopes to double its exports of diamonds Israel's diamond exporters have tended to reduce their dependence on one market—the USA—where 75 per cent of the total export were directed during the 1950s. By 1972 this share has come down to 27 per cent, Japan becoming an important buyer.

Israel has earned substantial foreign exchange through tourism. This has particularly happened after the six-day war in 1971, when a total of 657,000 tourists touched Israel and this figure increased to 727,500 in 1972, showing a rise of more than 10 per cent in one year. In

1973, the year of Irael's 25the anniversary, the country expects the number of tourists to go up to 850,000. Income from tourism has increased from $ 72 million in 1967 to $ 213 million in 1972. To meet the increasing inflow of tourists, Israel has plans to have 12,000 rooms built in tourist hotels as against the present 18,000 roooms in 300 hotels. Variovs tourist centres have been established which include a number of tourist villages along the Mediterranean coast.

More recently, however, Israel has faced the probiem of inflation. From the beginning of 1968 to the end of 1972 the element of inflation was present in the expansion of the economy. During the five years from 1968-1973 money supply increased by more than 75 per cent and prices by over 40 pea cent. Inflation was modest in 1968 and 1969 at 2.4 per cent and 2.7 per cent respectively, but increased to 8.9 per cent later on. An evident reason for inflation over the past two years has been the rise in foreign assets of individuals who have converted them for local use. In other words, immigration has played a large part in inflation. It has been estimated that the cost of settling each immigrant is over $ 10,000. A portion of the money is spent abroad on transport, but for the most part it has swollen the economy, especially through stimulating construction activity. Nevertheless, the period recorded genuine growth too because the GNP increased to the extent of 52.5 per cent in real terms during these years. In other words, though inflation has been a cause of concern for the Israeli government, it has been accompanied by increased production and more employment so that some of its adverse effects have been blunted.

Israel—1948-1972

	1948	1972
Population ('000)	870	3200
Jewish population ('000)	710	2700
Non-Jewish population ('000)	160	500
	140	790
University students ('000)	1.6	45
Employment ('000)	250	1050
Unemployed ('000)	30	30
Employed in industry ('000)	65	270
Cultivated area (square kilometres)	1650	4255
Irrigated area (square kilometres)	300	1790
Production of electricity (millions of kilowatt hours)	260	8000
Number of tourists ('000)	4	700
Vehicles	25	320
Computers	—	300

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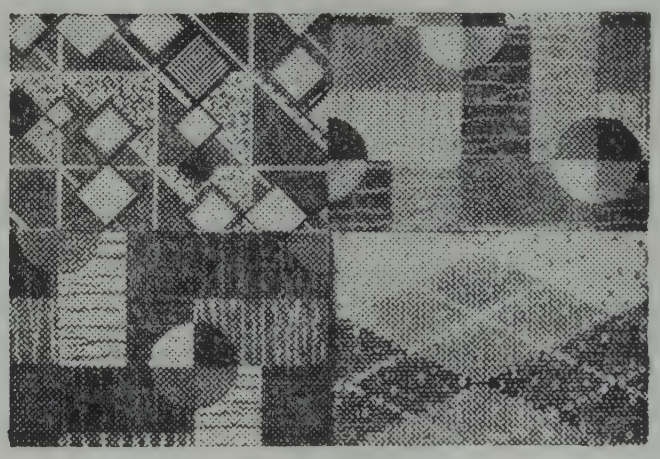
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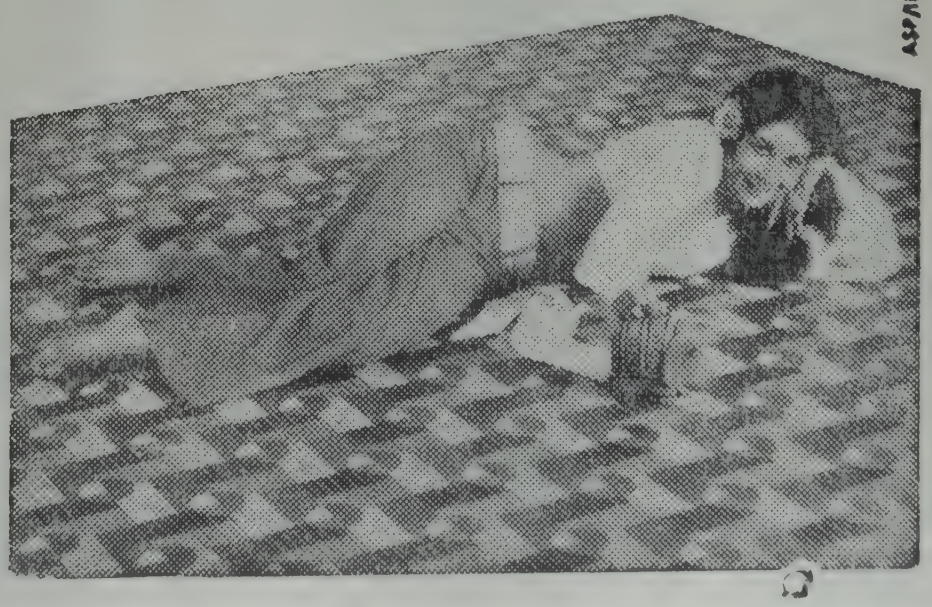
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TRADE WINDS

Indo-UK Loan Agreement

A LOAN agreement far an amount of Rs 26.56 crores (£ 14 million) was concluded on May 24 in New Delhi between the government of India and the government of the United Kingdom. The agreement was signed by Sir Terence Garvey, the British High Commissioner, and Mr M.G. Kaul, Secretary in the department of Economic Affairs, ministry of Finance. The new loan, "the UK/India Capital Investment Loan 1972" is the fifth in the series and is intended for the purchase of British manufactured capital goods which are needed to aid India's economic development. The loan is divided as follows: (*a*) Rs 10.43 crores (£ 5.5 million) for the import of capital items by private sector firms in India; (*b*) Rs 10.43 crores (£ 5.5 million) for the import of capital items by public sector enterprises in India; (*c*) Rs 2.85 crores (£ 1.5 million) to the Industrial Finance Corporation of India and Rs 2.85 crores (£ 1.5 million) to the Industrial Credit & Investment Corporation of India Ltd, for the import of capital goods by firms who take corresponding rupee loans from these organisations. With the signature of this loan agreement Britain has fulfilled her pledge of Rs 119.49 crores (£ 63 million) made at last year's meeting of the 'Aid India Consortium'. The loan is on the usual soft terms of British lending to India, being free of all interest and service charges, with capital repayments spread over 25 years, including an initial grace period of seven years.

External Assistance in 1972-73

External assistance for which agreements were signed by India from April 1972 to March 1973 amounted to Rs 677 crores (US $928.88 million). Of this, project aid accounted for Rs 272 crores ($ 373.41 m) and non-project aid for about. Rs 287 crores ($393.8 m). Assistance in the form of debt relief amounted to Rs 118 crores ($ 161.67 m). IDA offered $199 million in project aid and $75 million in non-project aid. Agreements for non-project aid amounting to Rs 287 crores were concluded during the last financial year with Austria ($0.5 m), Belgium ($3.33 m), Canada ($64 m), Denmark ($5.7 m), France ($25m), West Germany ($27.96 m), Japan ($33.2 m), Netherlands ($19 m), Sweden ($53.01 m), and UK ($87.1 m). Country-wise project aid included Canada ($25.39 m), France ($59.2 m), West Germany ($15.53 m), Japan ($9.74 m), Sweden ($10.6 m), UK ($41.6 m) and USA ($12.35 m). Debt relief amounting to $161.67 million was given by Austria ($2.4 m), Belgium ($1.67 m), Canada ($1.99 m), Denmark ($0.14 m), France ($6.65 m), West Germany ($43.47 m), Italy ($13.94 m), Japan ($38.28 m), Netherlands ($2.73 m), Sweden ($0.51 m), UK ($20.8 m) and USA ($29.14 m).

Iron Ore for Bhilai

Nandini mechanised limestone mines and the Rajhara mechanised iron-ore mines of the Bhilai steel plant have established a number of new records and exceeded production targets. April, 1973 marks the beginning of a new era in the annals of these mines. In that month, the Rajhara mechanised mines established a new monthly record by producing 306,946 tonnes of iron-ore as compared to the previous best of 283,099 tonnes produced in March, 1970. Again, in the same month, at the Nandini mechanised mines, raisings of limestone touched a new high at 150,929 tonnes which also represents a new record in recent years, the previous best being 126,721 tonnes produced in February, 1970. Five daily records in mechanised limestone raisings, and one each in mechanised iron-ore raisings and loading were also established.

United Asian Bank

Malaysian prime minister, Tun Abdul Razak, recently launched the newly formed United Asian Bank, grouping together three long-established Indian banks in Malaysia. The banks merged are Indian Overseas Bank, United Commercial Bank and Indian Bank. The board of directors of the new bank would comprise a well-known businessman, a trade union leader and chairmen of the three banks.

Steel Plant for Bangladesh

The Bangladesh government has asked Metallurgical Engineering Consultants (India), formerly the CEDB, to prepare at feasibility report for a steel plant in Bangladesh, using the gaseous reduction process. The Bangladesh government is understood to be keen on settling up an integrated steel plant, based on the vast natural gas reserve in the country. The gaseous reduction process is considered to be the latest achievement in steel technology. The use of this process means generation of heat in blast furnace by gas instead of coke.

Jute Exports to EEC

There will be practically no quota restrictions on the imports of Indian jute and coir goods into the European Economic Community. Moreover, this country will get duty reduction by 40 per cent between July 1, 1973 and January 1, 1974 for these exports to EEC. This was announced by Mr B.B. Lal, Secretary, ministry of Commerce, who returned after taking part in the Brussels negotiations. The results marked a "substantial improvement" in view of the serious competition from synthetics. This country should be able to increase her exports through "good salesmanship" by the the jute industry, opening an office in western Europe which would also ensure that quotas for various countries were fully utilised. A three-year agreement (1973 to 1975) for jute exports to the Community is expected to be signed before the end of June next, while a similar agreement in respect of coir goods is likely to be concluded within a fortnight thereafter. India and EEC have also agreed in principle to the setting up of a joint commission in which the two sides would discuss tariff and non-tariff barriers with a view to enlarging the trade.

Firestone's Relief Contribution

Firestone India has presented a cheque for Rs 2.50 lakhs to the chief minister of Maharashtra, Mr V. P. Naik, being the company's donation to the State Scarcity Relief Fund.

Census of Small Scale Industries

The union government has decided to conduct the first ever country-wide census of small scale industrial units during the year 1973-74 with a view to determine the requirements of small scale sector and frame policies appropriate to further development of the sector. The Development Commissioner, Small Scale Industries, New Delhi, will be in overall charge of planning and co-ordination of the census. The actual field work, however, will be done under the direction and control of the directorates of industries of the respective states/union territories. The census will cover all small scale units with an investment in plant and machinery not exceeding Rs 7.5 lakhs (in case of ancillaries upto Rs 10 lakhs) within the purview of the Small Scale Industries Development Organisation and registered with the directorates of industries of the respective states and

union territories upto the end of June this year. All those units which have not yet got themselves registered with the directorates of industries were requested to get in touch with the directors of industries before the date specified so as to ensure that they were not excluded from the census. Over 5,000 educated unemployed would be drafted as enumerators and supervisors for the census work. A team of two enumerators will visit every registered unit during September 1973—January 1974 to collect from them data relating to capacity, production-investment, employment, consumption of power and raw materials, borrowings, etc.

Trade with African Countries

Exports from this country to non-Arab African countries have been increasing at a rapid pace. In 1971-72, the exports were of the order of Rs 52.61 crores, nearly 32 per cent more than in 1970-71. In fact the exports in 1970-71 at Rs 39.81 crores rose up by around 36 per cent over 1969-70. During the first five months of 1972-73, the exports have been valued at Rs 23.81 crores. The imports during 1971-72 were to the tune of Rs 82.33 crores. During the first five months of 1972-73 imports were to the extent of Rs 40 crores. There has, therefore, been an overall adverse balance of trade with this area. Main items of export to non-Arab African countries are cotton manufactures, jute manufactures, engineering goods and chemical and allied products. India's imports from these countries consist mainly of raw materials such as copper, zinc, lead, raw cashew, industrial diamonds and processed and semi-processed stones

New Ship for SCI

The first of the four ships to be delivered by the Hindustan Shipyard during this year was delivered to the Shipping Corporation of India recently. The 13,986 dwt cargo-liner, "Vishwa Yash", is the second in the series of five ships contracted by SCI and is so far the biggest cargo ship built at the shipyard. Papers were exchanged recently between the officials of the shipyard and SCI, signifying the handing over of the ship. This is the shipyard's 60th vessel delivered so far. Of these, as many as 25 vessels were built for SCI alone.

Tobacco Development Scheme

There is a proposal to develop exportable varieties of tobacco on 28,000 hectares of light soil areas of Mysore, Andhra Pradesh, Tamil Nadu and Gujarat. This is in addition to the intensive development programme of Virginia tobacco on about 125,000 hectares along with the supply of essential inputs. The fourth Plan aimed at increasing the production of tobacco from 350 million kg. in 1968-69 to 450 million kg. in 1973-74.

STC Reduces Service Charges

The State Trading Corporation has reduced its service charges on imported raw materials with effect from May 1. In the case of replenishment licence holders, the service charge has been lowered from 1.5 per cent to one per cent and in respect of the preferred category of actual users, from 2.5 per cent to two per cent. The service charge in the case of actual users has been reduced by 2.5 per cent. It will now range from 3 to 5 per cent. The cut has been effected so that the increase in international prices of chemicals and other material is not passed on to industrial users in full. The revised service charges will ease the burden of higher price of imported raw materials somewhat to ensure that production is not affected.

Indo-Yugoslav Joint Ventures

Yugoslavia has agreed to coordinate its power development plans with India to produce equipment for power generation to meet India's needs. Yugoslavia has also shown interest in importing components required for ship-building. This country has in return offered to buy more ships from Yugoslav shipyards at competitive prices. India and Yugoslavia have also agreed, it is learnt, to to set up their joint ventures in third countries. Industrial and trading organisations in the two countries might collaborate through joint tendering for the export of plants and equipment and for service contracts in third countries. Steps will also be taken to promote collaboration for turn-key projects in other countries. A high-power Indian delegation, which visited Yugoslavia towards the end of the last month, has come back with the impression that Yugoslav economy needs Indian exports — traditional and non-traditional—at the level of raw materials both semi-processed and processed.

Chemical Team for Europe

A four-member composite sales-*cum*-study team, sponsored by the Chemicals and Allied Products Export Promotion Council, left for West Europe recently. The team led by Mr L. M. Jamnadas, ex-chairman of the council, had three more members: Mr M. S. L. Eswaran, vice-chairman, Mr C. R. Nataranjan and Mr M. G. Joshi, secretary of the council. During its month's tour of the UK, Italy, France, West Germany, Netherlands, Belgium and Switzerland, the delegation will make effort to identify specific products which offer good scope for export to this region. At present, export of the council's products to these countries consists mainly of industrial raw materials and primary products such as crushed bones and bone grist, calcined magnesite and other processed minerals.

Names in the News

The Home Secretary, **Mr Govind Narain** took over recently as Defence Secretary from **Mr K. B. Lall** who is proceeding to Brussels as India's Ambassador to Belgium and to the European Economic Community and as Special Envoy for Economic Affairs in Western Europe. The Additional Secretary of the ministry of Home Affairs, **Mr Asoka Sen,** has been appointed as Special Secretary in the ministry. Concurretnly he will hold the charge of the post of Additional Secretary also.

Situation Vacant

Applications are invited by the TEA BOARD for the following posts in their Tea Centres in London, Cairo, Sydney and Melbourne. Besides the pay the posts carry substantial foreign allowances and free plainly furnished accommodation as admissible to the Government employees posted abroad. Higher starting salary will be considered for exceptionally well qualified candidates. Appointment will be made on a contract basis for a period of three years in the first instance :

(1) Managers (Tea Centres), in the scale of Rs. 350-25-500-30-590-EB-30-800-EB-30-830-35-900. The candidates must possess a Three-Year-Diploma in Hotel Management, Catering and Nutrition from any of the recognised Institutes in India or abroad with two years' experience in a Hotel or first class Restaurant. Knowledge of one foreign language other than English is desirable. Age : Preferably below 40 years as on 1-6-73. Selected candidates will have to furnish a Fidelity Bond of Rs. 5,000/-.

(2) Kitchen Supervisors (Tea Centres), in the scale of Rs. 175-6-205-7-240. The candidates must possess One-Year-Diploma in the Trade Cookery from any of the recognised Institute in India or abroad with two years' experience of work in a Hotel or first class Restaurant.

Age: Preferably below 40 years as on 1-6-73.

Prescribed application form together with details of the post may be obtained from SECRETARY, TEA BOARD, 14, BRABOURNE ROAD, CALCUTTA-1, either personally or by sending stamped self-addressed envelope. The applications in the prescribed form will be received upto the 20th June, 1973.

CENTRAL BANK

Balance Sheet as at

CAPITAL AND LIABILITIES

31st December, 1971 Rupees		Rs. Ps.	Rs. Ps.
	1. CAPITAL :—		
4,75,14,600	Paid-up Capital (wholly owned by Central Government)		4,75,14,600.00
	2. RESERVE FUND AND OTHER RESERVES :—		
8,25,88,080	Reserve Fund	8,34,88,079.54	
53,29,771	Contingency Fund	53,29,770.96	
1,50,000	Development Rebate Reserve	1,50,000.00	
3,63,700	Capital Suspense	3,63,700.00	
3,61,519	Share Premium Suspense	3,61,519.25	
8,87,93,070			8,96,93,069.75
	3. DEPOSITS AND OTHER ACCOUNTS :—		
3,43,62,34,094	Fixed Deposits and Cash Certificates	4,17,45,90,555.03	
1,80,82,94,244	Savings Bank Deposits	2,08,66,18,742.34	
1,58,45,49,726	Current Accounts, Call Deposits, Contingency Accounts, etc. (including Staff Gratuity Fund Rs. 1,61,50,000.00)	1,78,65,40,590.77	
6,82,90,78,064			8,04,77,49,888.14
	4. BORROWINGS FROM OTHER BANKS, AGENTS, ETC :—		
		In India Rs Ps.	**Outside India** Rs. Ps.
8,91,50,000	(1) Secured : (a) By part of Investments and bills per contra	41,75,000.00	—
	(b) In respect of borrowings (secured by part of advances per contra) from :—		
2,33,91,224	(i) The Industrial Development Bank of India	2,03,17,624.00	—
61,66,090	(ii) The Agricultural Refinance Corporation	1,68,51,894.00	—
1,85,00,000	(iii) Other Financial Institutions	2,40,00,000.00	—
2,17,78,854	(2) Unsecured	76,00,641.98	55,12,492.63
15,89,86,168		7,29,45,159.98	55,12,492.63 7,84,57,652.61
9,41,32,857	**5. BILLS PAYABLE :—**		9,00,61,770.60
	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :—		
40,14,67,316	(i) Payable in India	45,40,77,208.39	
4,53,53,773	(ii) Payable outside India	5,61,97,573.54	
44,68,21,089			51,02,74,781.93
	7. OTHER LIABILITIES :—		
14,81,66,458	Branch Adjustments	16,28,48,782.44	
1,65,56,813	Amount owing to Subsidiary Company (including on their Clients' Account)	1,66,37,286.73	
8,78,165	Unclaimed Dividends	8,54,482.83	
53,80,155	Rebate on Bills Discounted	1,13,44,263.75	
17,09,81,591			19,16,84,815·75
36,15,34,746	**8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA :—**		35,20,94,779.00
	9. PROFIT AND LOSS :—		
—	Balance as per last Balance Sheet	—	
2,88,55,512	Profit for the year	41,41,683.89	
2,88,55,512		41,41,683.89	
	Less :—Appropriations :		
58,00,000	Transferred to Reserve Fund	9,00,000.00	
1,97,00,000*	Provision for Bonus to Staff (including *Rs. 21,00,000/- for Diamond Jubilee Bonus)	—	
2,55,00,000		9,00,000.00	
33,55,512	Balance to be transferred to the Central Government		32,41,683.89
8,20,11,97,697	Carried Over		9,41,07,73,041.67

OF INDIA

31st December 1972

PROPERTY AND ASSETS

31st December, 1971 Rupees		Rs. Ps.	Rs. Ps.
	1. CASH :—		
56,34,95,062	In hand and with Reserve Bank and State Bank (including foreign currency notes)		67,05,48,197.02
	2. BALANCE WITH OTHER BANKS :—		
	On Current Account :	Rs. Ps.	
1,70,94,706	(i) In India	1,30,18,534.08	
1,22,67,846	(ii) Outside India	1,18,71,412.12	
2,93,62,552			2,48,89,946.20
	On Deposit Account :		
—	(i) In India	—	
—	(ii) Outside India	1,88,000.00	
			1,88,000.00
2,93,62,552			2,50,77,946.20
80,00,000	**3. MONEY AT CALL AND SHORT NOTICE :—**		11,56,00,000.00
	4. INVESTMENTS (at below Market Value) :—		
1,76,66,00,785	(i) Securities of the Central and State Governments and other Trustee Securities	2,71,10,53,918.66	
—	Treasury Bills of the Central and State Governments	—	
	(ii) Shares	**Fully Paid** Rs. Ps.	**Partly Paid** Rs. Ps.
86,27,703	(a) Preference	83,51,333.26	—
3,60,90,903	(b) Ordinary	2,42,52,459.68	91,02,328.40
57,799	(c) Other Classes	57,798.75	—
4,47,76,405		3,26,61,591.69	91,02,328.40 4,17,63,920.09
2,67,18,752	(iii) Debentures or Bonds		4,10,34,790.02
4,52,610	(iv) Other Investments		4,52,610.00
—	(v) Gold		—
1,83,85,48,552			2,79,43,05,238.77
	5. ADVANCES :—		
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)		
	(I) Loans, Cash Credits, Overdrafts, etc. :	Rs. Ps.	
3,42,15,39,306	(i) In India ... ... Includes an amount of Rs. 6,11,69,518.00 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Refinance Corporation and other Financial Institutions as per contra)	3,71,04,52,761.52	
91,67,419	(ii) Outside India	70,03,401.93	
3,43,07,06,725			3,71,74,56,163.45
	(II) Bills Discounted and Purchased :	Rs. Ps.	
1,24,12,72,022*	(i) Payable in India	85,90,68,281.67	
9,95,56,760**	(ii) Payable outside India	12,67,63,323.34	
1,34,08,28,782			98,58,31,605.01
4,77,15,35,507			4,70,32,87,768.46

*Includes Rs. 2,25,00,000 under Bill Market Scheme of Reserve Bank of India per contra.

**Includes Rs. 5,25,00,000 under Pre-Shipment Credit Scheme of Reserve Bank of India per contra.

Particulars of Advances

3,60,81,66,499	(i) Debts considered good in respect of which the bank is fully secured	3,75,25,60,450.65
21,29,28,851	(ii) Debts considered good for which the bank-holds no other security than the debtors' personal security	24,46,24,955.78
7,21,09,41,673		8,30,88,19,150.45

Carried Over

CENTRAL BANK

Balance Sheet as at

CAPITAL AND LIABILITIES

31st December 1971 Rupees		Rs.	Ps.
8,20,11,97,697	Brought Forward		9,41,07,73,041.67
(31-12-1971)	**10. CONTINGENT LIABILITIES :**		
		Rs.	Ps.
4,43,11,008	(i) Claims against the Bank not acknowledged as debts	68,08,378.91	
1,10,63,342	(ii) On Investments in partly paid shares	1,05,21,317.50	
64,38,27,389	(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of officers)	63,51,63,176.83	
31,02,75,338	(iv) Liability on account of outstanding Forward Exchange Contracts	35,07,14,574.47	
11,94,06,020	(v) Liability on Bills of Exchange Re-discounted	11,43,11,443.94	
8,20,11,97,697	TOTAL RUPEES		9,41,07,73,041.67

Notes forming part of the Accounts :—

(1) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.

(2) As returns in respect of Pakistan (including areas now comprised in Bangladesh) Branches have not been received for the period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1972. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

(3) The figures for the previous year have been regrouped where necessary and possible.

(4) Certain old items in the branch reconciliations remain to be cleared. The balancing of general ledger with subsidiary ledgers/schedules remains to be completed at a few branches. The schedules supporting general ledger balances and reconciliation statements for accounts with other banks were not ready at a few branches. Necessary steps are being taken in this regard.

(5) Bills of exchange amounting to DM. 10.5 millions reported to have been discounted with some German/Swiss Banks were purported to have been endorsed/guaranteed by the Bank's London Branch and in respect of claims relating to these bills legal proceedings had been instituted against the Bank. These claims have been settled by the date of signing the Balance Sheet at an amount as advised by Bank's Counsel. Provision, net of tax, in respect of claims settled after the date of the Balance Sheet has been made.

(6) For the years 1970 and 1971 the provision for bonus was disclosed as an appropriation of profits after transfer to the Statutory Reserve. For the current year, the said provision has been charged to the Profit and Loss Account.

(7) There is a pending demand from the employees for payment of bonus for the year 1972 in excess of the amount provided. The provision made in the accounts is on the basis of the offer made by the management to the employees.

In terms of our report of even date attached
HARIBHAKTI & CO.,
FORD RHODES PARKS & CO.,

OF INDIA

31st December 1972

PROPERTY AND ASSETS

31st December 1971 Rupees		Rs, Ps.	Rs. Ps.
7,21,09,41,673	Brought Forward		8,30,88,19,150.45
95,04,40,157	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	70,61,02,362.03	
—	(iv) Debts considered doubtful or bad not provided for	—	
4,77,15,35,507		4,70,32,87,768.46	
95,24,549	(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons	1,27,32,820.69	
—	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies as members	—	
95,24,549	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors, or managers or officers of the bank or any of them either severally or jointly with any persons.	1,27,32,820.69	
—	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members	—	
1,32,03,881	(ix) Due from banks	1,47,21,558.95	
	6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA :—**		
40,14,67,316	(i) Payable in India	45,40,77,208.39	
4,53,53,773	(ii) Payable outside India	5,61,97,573.54	
44,68,21,089			51,02,74,781.93
36,15,34,746	7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA**		35,20,94,779.00
	8. **LANDS AND BUILDINGS :—**		
2,24,43,884	Cost as per last Balance Sheet	2,31,00,653.69	
—	*Less* : Cost of Property sold during the year	5,01,854.93	
2,24,43,884		2,25,98,798.76	
6,56,770	*Add* : Cost of Additions made during the year	32,25,911.50	
2,31,00,654		2,58,24,710.26	
53,57,770	*Less* : Depreciation written off	57,14,020.27	
1,77,42,884			2,01,10,689.99
	9. **FURNITURE AND FIXTURES :—**		
6,09,97,988	As per last Balance Sheet	7,35,70,280.72	
1,25,72,293	*Add* : Additions less Sales made during the year	1,23,15,698.40	
7,35,70,281		8,58,85,979.12	
3,04,12,949	*Less* : Amount written off to date for Depreciation	3,65,22,136.47	
4,31,57,332			4,93,63,842.65
	10. **OTHER ASSETS :—**		
10,00,000	Shares (Partly paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at Cost	10,00,000.00	
2,35,45,976	Interest accrued on Investments	3,68,02,522.00	
3,10,01,850	Income-tax paid in advance	6,42,44,474.00	
2,76,30,750	Share Application Moneys	1,64,74,000.00	
3,77,31,399	Sundry Advances,-Deposits, Stamps, Stationery, Home Saving Safes, Safe Deposit Boxes, etc.	5,14,98,803.50	
12,09,09,975			17,00,19,799.50
89,998	11. **NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS (at book value)**		89,998.15
8,20,11,97,697		TOTAL RUPEES	9,41,07,73,041.67

B. N. ADARKAR
Chairman & Managing Director

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R. R. KUMAR
A. H. ELIAS
RAMSIYA KUNDER
G. B. NEWALKAR
C. S. VENKAT RAO
V. M. BHIDE
} *Directors*

P. KRISHNA IYER
Officer on Special Duty

S. R. TIPNIS
General Manager

D. V. TANEJA
Deputy General Manager

N. M. MISTRY
Asst. General Manager

Bombay 10th May, 1973

CENTRAL BANK

Statement of Profit and Loss account for

EXPENDITURE

Previous Year Rupees		Rs.	Ps.	Rs.	Ps.
25,20,71,836	1. Interest paid on Deposits, Borrowings, etc.			30,57,61,616.84	
19,19,32,458	2. Salaries and Allowances	21,55,04,718.33			
79,73,408	Contributions to Provident Fund	83,44,568.28			
—	Bonus to Staff (See note No. 7 on the Balance Sheet)	1,76,00,000.00			
19,99,05,866				24,14,49,286.61	
47,843	3. Directors' Fees and Allowances	27,616.67			
378	Committee Members' Fees and Allowances	450.00			
48,221				28,066.67	
1,54,19,817	4. Rent, Taxes, Insurance, Lighting, etc.			1,98,58,493.35	
6,33,840	5. Law Charges			19,22,245.47	
61,68,865	6. Postage, Telegrams and Stamps			66,55,764.37	
	7. Auditors' Fees :				
3,42,000	To Statutory Auditors (including Branch audit fees)	2,83,950.00			
2,08,000	To Branch Auditors	2,45,500.00			
5,50,000				5,29,450.00	
3,54,787	8. Depreciation on Banking Company's Property	3,67,921.81			
1,99,688	Repairs to Banking Company's Property	2,67,430.76			
3,37,344	Other charges on Banking Company's Property	2,90,669.71			
52,25,842	Depreciation on Furniture and Fixtures	61,09,187.25			
61,17,661				70,35,209.53	
88,89,784	9. Stationery, Printing and Advertisements, etc.			97,15,128.20	
—	10. Loss from sale of or dealing with non-banking Assets			—	
1,79,66,333	11. Other Expenditure			2,27,40,627.00	
2,88,55,512	12. Balance of Profit—See Note (4)			41,41,683.89	
53,66,27,735		TOTAL RUPEES		61,98,37,571.93	

Notes : (1) Particulars of remuneration paid to the Custodian/Chairman:

Previous Year Rupees		Rs.	Ps.
46,370	(i) Salary	43,569.48	
6,774	(ii) Allowances	6,397.92	
3,864	(iii) Contribution to Staff Provident Fund	3,630.72	
57,008		53,598.12	

(2) Salaries and Allowances include Rs. NIL previous year Rs. 22,16,131 being bonus paid in excess of the provision made.
(3) Advertisement expenditure incurred during the year Rs. 12,56,932.74, previous year Rs. 8,88,264.
(4) The balance of Profit for the year 1971 is before providing for Bonus to Staff.

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1972 and also the Profit & Loss Account of the Bank for the year ended on that date annexed thereto, in which are incorporated the returns of 168 Branches audited by us, 422 Branches audited by other auditors, 5 Branches in Pakistan (including areas now comprised in Bangla Desh) for which unaudited returns as at 30th June, 1965 have been incorporated and the unaudited returns in respect of 509 Branches not visited by us. The Branches to be audited by us and the Branches to be audited by other auditors have been selected by the Bank, in accordance with the guidelines issued to the Bank by the Reserve Bank of India.

2. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph we report that—

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—
  (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1972 and
  (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;
(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;
(d) The returns [except for Pakistan including areas now comprised in Bangla Desh Branches—See Note (2)] received from the Branches of the Bank have been found adequate for the purposes of our audit.

Bombay 14th May, 1973

HARIBHAKTI & CO.,
FORD RHODES PARKS & CO.,
LOVE LOCK & LEWES
Chartered Accountants

OF INDIA

the year ended 31st December, 1972

INCOME
(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)

Previous Year Rupees		Rs.	Ps.
46,44,09,433	1. Interest and Discount	54,69,88,036	93
7,03,12,725	2. Commission, Exchange and Brokerage	7,05,34,654	25
19,05,577	3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	23,14,880	75
—	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	
—	5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	
—	6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets	—	
53,66,27,735	TOTAL RUPEES	61,98,37,571	93

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Bombay 10th May, 1973

BRANDED for quality



Cycle Brand
Wire Healds,
All-metal Reeds,
Jute Cambs
and Jute Reeds.

Swar Brand
Egyptian Combed
Cotton Yarn and
Staple Fibre Yarn.

India Brand
Best Egyptian Cotton
Healds, Heald Piecing Yarn,
Finest Polished Steel
Wire Reeds, Brass Reeds,
Striking Combs and
Dobby Harness without
rubber.

Agfa-Gevaert cameras and photographic papers.

The New India Industries Limited
Baroda & Bombay

Stockists:
B. Mehta & Co., Bombay, Ahmedabad, Calcutta, Coimbatore. Mehta Parikh & Co. Pvt. Ltd., Ahmedabad, Bombay. Hindustan Textile Stores, Bombay, for all-metal reeds only.

COMPANY AFFAIRS

Century

THE DIVERSIFICATION schemes launched by the Century Spinning & Manufacturing Co. Ltd both within the country and abroad are progressing according to schedule, observed Mr S.K. Birla, a director of the company while addressing the annual general meeting held recently in Bombay. The company has already spent about Rs seven crores on the Rs 14-crore cement project which is coming up at Raipur in Madhya Pradesh. The plant will have a capacity to produce six lakh tonnes of cement per year. Although the work on the project is going on in full swing, the company is making every effort to expedite the start up of the cement plant to avail of the development rebate concessions. The company is promoting new undertaking jointly with the government for manufacturing paper and pulp products. Century's share has been fixed at 40 per cent of the capital, and based on this the company has submitted fresh proposals to the government which are under active consideration. The company has also submitted a Rs 6-crore scheme for the manufacture of fibre glass and allied products. Formalities in respect of the joint venture project for setting up a textile mill in Indonesia has been completed. This would be a composite unit and in the first phase 14,000 spindles would be installed. The Indonesian company will have a capital of Rs 80 lakhs while Century's share in the equity capital will be of the order of Rs 36 lakhs by way of supply of plant and machinery. Referring to the current year's performance Mr Birla said that the overall turnover in the first four months (January-April) of the current year was marginally lower as compared with the same period of last year. The company had to cut down production of tyre cord yarn by about 40 per cent because of lower offtake. The production of tyres was greatly reduced mainly in South India, because of power cut. However, the demand for tyre cord is expected to pick up with the implementation of expansion schemes by tyre producers.

Zuari Agro Chemicals

Though the project of Zuari Agro Chemicals was mechanically completed on July 8, 1972 as per schedule, the start-up operations got extended much beyond expectations due to causes beyond the company's control. The main reasons for the delay were: late commissioning of the public water supply scheme; frequent power interruptions that occurred during the critical start-up period October 1972 to January 1973 and a serious and major defect noticed in the main syngas compressor as received and installed by the company's prime contractors, Toyo Engineering Corporation India, under the supervision of the American vendors. The rectification of the compressor defect involved dismantling and reinstallation of the compressor besides changing a substantial portion of the high pressure piping of the synthesis loop. These jobs have been substantially completed, and the expectation is that the company's plant would commence production of urea by the end of May.

Besides the delay in start-up, the company faces a shortage of phosphoric acid, the main feed stock for compound fertilizers. The company has been served with notice of termination of the acid supply contract by Fertilizantes Fosfatados Mexicanos, Mexico. The company has protested against this unilateral action and proposes to take legal action. Efforts are on to locate alternative sources of acid supply. Pending new arrangements for the supply of phosphoric acid it is proposed to convert the entire ammonia output into urea for which the plant has built-in capacity. The directors state that while this may cause delay in the production and distribution of compound fertilizers, its financial impact on the working of the company will be marginal. The company's trading activities in the form of purchase and sale of fertilizers suffered following the government's decision to discontinue the "direct allocation of seeding materials." The company could trade only in limited quantities of fertilizers made availble to it by the state governments. Sales of the company in 1972 dropped to Rs 4.19 crores from Rs 9.02 crores in the preceding year. It has incurred a net loss of Rs 36.89 lakhs as compared to a loss of Rs. 30.25 lakhs in 1971.

Digvijay Cement

Owing to power cut and shortages of water, wagons and coal coupled with an all-India labour strike of 12 days Shree Digvijay Cement has suffered a modest setback in its working during the year ended December 31, 1972. Nevertheless, the directors have kept the equity dividend unchanged at 12 per cent. Production of cement was slightly lower at 7.52 lakh tonnes as against 7.76 lakh tonnes in 1971. The income from sale of cement increased to Rs 11.11 crores from Rs 10.77 crores while the revenue from asbestos products was higher at Rs 5.17 crores as compared to Rs 4.66 crores in 1971. With margins lowered, gross profit dipped to Rs 171.08 lakhs from Rs 179.69 lakhs in the earlier year. Out of the gross profit, the directors have allocated Rs 60.17 lakhs to depreciation reserve as against Rs 58.50 lakhs in 1971 while a sum of Rs 41.00 lakhs was set apart for gratuity as against no provision in the earlier year. The appropriation to development rebate reserve was reduced from Rs 11.50 lakhs to Rs 7.00 lakhs and to taxation from Rs 53.72 lakhs to Rs 26.76 lakhs. This leaves a lower net profit of Rs 36.15 lakhs as compared to Rs 55.97 lakhs in the preceding year. The recommended dividend will absorb Rs 35.12 lakhs, the same as in 1971.

Madras Cements

Madras Cements is embarking on a massive expansion programme. To raise part of the resources required for financing the project, the company proposes to issue fresh capital of Rs 1.70 crores comprising Rs 1.40 crores in 14,00,000 equity shares of Rs 10 each and Rs 30 lakhs in 30,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par. The new shares will be offered first to the existing shareholders as rights shares in the ratio of 14 new equity shares and three preference shares for every ten shares held. The remaining, if any, will be offered to the public. The company is engaged in manufacturing cement with wet process with an annual capacity of 1.90 lakh tonnes of cement. It has been decided to change over to the dry process and also to expand the existing capacity. The company has already received an industrial licence to expand the capacity to four lakh tonnes per annum. Holtec Engineers Private Ltd have advised the company to go in for a single dry process kiln of 1,200 tonnes daily capacity with four-stage pre-heater equivalent to four lakh tonnes of cement yearly in the place of the existing two small wet kilns. All other existing auxiliary equipments will be utililised in the proposed plant and the old kind will be disposed of. Orders for the kiln and other machinery have been placed

with Larsen and Toubro. The plant is scheduled to go on stream before April next to avail of the development rebate. The cost of the project is estimated at Rs 9.70 crores and it will be financed by the share capital of Rs 1.70 crores, term loans from financial institutions of Rs 7 crores, interest-free sales tax loan from State Industries Promotion Corporation of Tamil Nadu repayable after 18 years of Rs 50 lakhs and internal resources of Rs 50 lakhs. The management feels that after the proposed expansion the company will be able to earn sufficient profits to declare reasonable dividends.

Gujarat Polyamides

Gujarat Polyamides has made satisfactory progress in the implementation of its project. Major portion of the plant and machinery, both imported and indigenous, has already arrived at the site and is being erected. The company expeects to go into trial runs in the last quarter of this year and commence commercial production in the first quarter of the next year. Meanwhile, the estimated cost of the project has been revised upwards from Rs 1,000 lakhs to Rs 1,375 lakhs owing mainly to the revaluation in Italian currency, increase in customs duty on the imported equipments, increase in prices of steel, cement and industrial materials, etc. The additional cost of the project is intended to be met by raising short-term loans from banks. unsecured loans, and public deposits. GPL has received a 'letter of intent' for increasing the projects capacity by 300 tonnes to 2,100 tonnes per annum. Necessary steps have been taken to implement this expansion. As known, the scheme of amalgamation with Baroda Rayon Corporation has been approved by the shareholders with requisite majority. The company has now field a petition in the High Court of Gujarat for obtaining the final order for the approval of the scheme. This petition will be heard on July 2. The accounts for the year ended December 1972 show that after making provision for the tax liability, there is a deficit of Rs 93,500, which has raised the accumulated deficit to Rs 2.63 lakhs.

Bharat Rubber

Bharat Rubber Regenerating Co. is setting up a project at Adityapur near Jamshedpur in Bihar for the manufacture of reclaimed rubber with an annual capacity of 2,400 tonnes. It has decided to employ the latest technology of thermal process of reclaiming of rubber. The plant is being imported from West Germany and it has been so designed as to use rubber scrap including scrap of mixed synthetic rubber. Adequate provision has been made for expansion of the capacity to 4,800 tonnes per annum by installation of balancing equipment. Production is expected to start by March next. To raise part of the resources required for the implementation of the project, the company will be entering the capital market with a public issue of Rs 17 lakhs divided into 1,20,000 equity shares of Rs 10 each and, 5,000 cumulative redeemable preferance shares of Rs 100 each carrying a dividend of 9.5 per cent per annum. The capital outlay on the project is estimated at Rs 61.28 lakhs and it will be met by the share capital of Rs 25 lakhs, foreign exchange loan from IFC of Rs 12.28 lakhs, rupee loan from IFC of Rs 8.50 lakhs and loan from Bihar State Financial Corporation of Rs 15.50 lakhs. The management hopes to pay a reasonable dividend from the second year of its working.

News and Notes

(*Expansion and Diversification*)

In view of the expansion and diversification programme, the **National Machinery Manufacturers** are taking vigorous steps to strengethen the management and to modernise the plant and machinery at Kalwa Works so that an all-round improvement in productivity and economy in manufacturing operations can be effected, thereby ensuring that the continuous increase in costs does not adversely affect the company's operations. As a part of the diversification programme the company had applied for and received an industrial licence for its project to manufacture synthetic fibre machinery at Baroda. The company had already purchased a plot of land at Baroda together with ready-made factory buildings with water and power connections and railway siding for the establishment of the project. Plant and machinery are now under installation. The project is expected to be commissioned towards the end of the current year. The company has negotiated arrangements for finance for Rs 86.50 lakhs for the implementation of this project. Efforts are being made to book in advance substential orders for the synthetic fibre machinery and the response, according to the directors of the company, is quite encouraging.

New Issues

Northern India Gas Company Ltd will be entering the capital market on June 4 offering for public subscription equity capital of Rs 16 lakhs in shares of Rs 10 each at par. A sum of Rs 2.50 per share is payable on application and a like amount on allotment of shares. The subscription list will close on June 13 or earlier but not before June 8. The company is setting up in a notified backward area near Kanpur an oxygen plant with an installed capacity of 140 cubic metres per hour. The cost of the project is placed at Rs 75.3 lakhs and it will be financed by the equity capital of Rs 25 lakhs and loans of Rs 50.3 lakhs. The company had already placed orders for plant and machinery with Bharat Heavy Plates and Vessels Ltd on turn key basis. The plant is expected to be received by January next and production is expected to start thereafter. The company had also applied for a capital goods licence to import an acetylene gas plant with a capacity of one lakh cubic metres per annum. The company will have no difficulty in selling its product since four mini steel plants are already there in that area. The management is confident of declaring a maiden dividend of about 12 per cent for 1974.

Mohan Steels Limited proposes to enter capital market shortly, with a public issue of Rs 27 lacs divided into 2,70,000 Equity Shares of Rs 10 each for subscription at par, to meet a part of the finance required for its setting up a 10/12 Tons HBB Electric Arc Steel Melting Furnace at Unnao — a notified backward area of U.P. on Kanpur-Lucknow Road. The company has already received a delivery of furnace and the work on the site is progressing and it is expected that the commercial production would start in October 1973. The unit is expected to produce about 18000/20000 tons of mild and medium carbon steel ingots. The capital outlay on the project is estimated at Rs 1.10 crores and the same will be met by share capital of Rs 45 lakhs and terms loan of Rs 65 lakhs from the financial institutions i.e. IDBI — Rs 40 lakhs, UPFC — Rs 10 lakhs and PICUP — Rs 15 lakhs mild steel ingots are already in great demand and the same is likely to grow further with the rapid industrialisation of the country. There are number of rolling mills already working in the vicinity which are operating very much below their installed capacity due to lack of raw materials i.e. ingots proposed to be manufactured. The company will have a ready-made, already established, market and their entire production including after expansion if any will be totally saleable at UP itself. Thus, the company does not anticipate any problem in marketing its products and expects to earn handsome return and declare dividend after paying the instalment of interest and the term loan within a reasonable time of commencement of commercial production.

Welcast Steels, a new company, which will set up an alloy steel grinding media unit in south India, is expected to enter the capital market in June with a public offer of Rs 19.20 lakhs divided into 1.92 lakh equity shares of Rs 10 each at

par. The company will set up an alloy steel foundry and set up a five-tonne electric arc furnace. It expects to commence production in October 1973. The company's products, namely, grinding media will be used by the cement industry, thermal power units, and orc crushing plants. The project is estimated to cost Rs 80 lakhs and will be financed by the share capital of Rs 32 lakhs, a loan of Rs 46.75 lakhs from the IFC of India and deferred payments of Rs 1.25 lakhs. The company has been promoted by Mr. Vinod Narain, Mr. S.C. Gupta and Mr K.K. Gupta, technocrats with knowledge and experience in production and marketing of grinding media. It boards of directors is headed by Mr. Harish Mahindra.

Capital and Bonus Issues

Consent has been accorded to fourteen companies to raise capital amounting to over Rs 9.68 crores. Following are the details:

United Carbon India Limted Bombay, has been accorded consent, valid for three months. to capitalise Rs 1,24,28,000 out of the General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

W.G. Forge & Allied Industries Ltd. Thana. has been granted bonus consent, valid for three months for issue of Rs 75 lakhs.

Larsen & Toubro Ltd Bombay has been granted bonus consent valid for three months for Rs 1,44,55,070.

Otis Elevator Co, (India) Ltd, Bombay has been accordded consent valid for three months for issue of bonus shares worth Rs 20 lakhs.

The Ahmedabad Manufacturing & Calico Printing Co Ltd, Ahmedabad (Gujarat) has been granted consent, valid for three months, for the issue of bonus shares worth Rs 1,40,14,706.25.

The Wesman Engineering Co. Private Ltd Calcutta has been accorded consent, valid for three months, to capitalise Rs 3,18, 700 out of their General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equlity shares held.

Shukla-Manseta Industries Private Ltd Bombay, has been accorded consent, valid for three months, to capitalise Rs 6,25,000 out of their General Reserve and issue fully paid equity shares of Rs 1000 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Hindustan Teleprinters Ltd, Madras has been granted permission. valid for three months, for issue of bonus shares worth Rs 41 lakhs.

Water Supply Specialists Private Ltd., Bombay, has been accorded consent valid for three months, to capitalise Rs 5 lakhs out of the General Reserve and issue fully paid equity shares of Rs 1000 each as bonus shares in the ratio of two bonus shares for every three equity shares held.

Indo Swiss Synthetic Gem Company Ltd Methupalayam, has been given consent, valid for three months, for the issue of bonus shares worth Rs 5,09,000.

Tensile Steel Ltd, Bombay has been accorded consent, valid for three months to capitaliser Rs 15 lakhs out of the General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Madras Cements Limited has communicated to government of its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 170 lakhs, in the form 1,40,000 equity shares of Rs 100 each and 30,000 cumulative redeemable preference shares of Rs 100 each. The proceeds will be utilised for putting up a new plant and mechinery.

Sri Chamundeswari Sugar Ltd Bangalore has been given an acknowledgement to their statement of proposals valid for a period of 12 months for issue of capital worth Rs 150 lakhs. The proceeds will be utilised for setting up a factory at K.M. Doddy, Mandy, District Mysore.

Modi Industries Limited Modinagar has been permitted to issue capital of Rs 63.99 lakhs, divided into right shares of the face value of Rs 26.42 lakhs at a premium of Rs 4 per share for Rs 36.99 lakhs and public offer of the face value of Rs 20 lakhs at a premium of Rs 6 per share for Rs 35 lakhs. the issue is meant for meeting the cost of the project for electric are furnaces continuous casting plants and a high speed rolling mill. The consent is valid for 12 months.

Company Meetings

Orissa Cement Ltd.: Company's Guest House, Rajgangpur, Orissa; June 29; 11.30 A.M.

British Paints (India). Ltd.: Registered Office, 32, Chowringhee Road, Calcutta-16; June 8; 11 A.M.

Dalmia Cement (Bharat) Ltd,: Dalmiapuram, Tamil Nadu; June 25; 11-00 A.M.

Food Specialities Ltd: Indian Medical Association House, Indraprastha Marg, New Delhi; June 12.; 4.00 P.M.

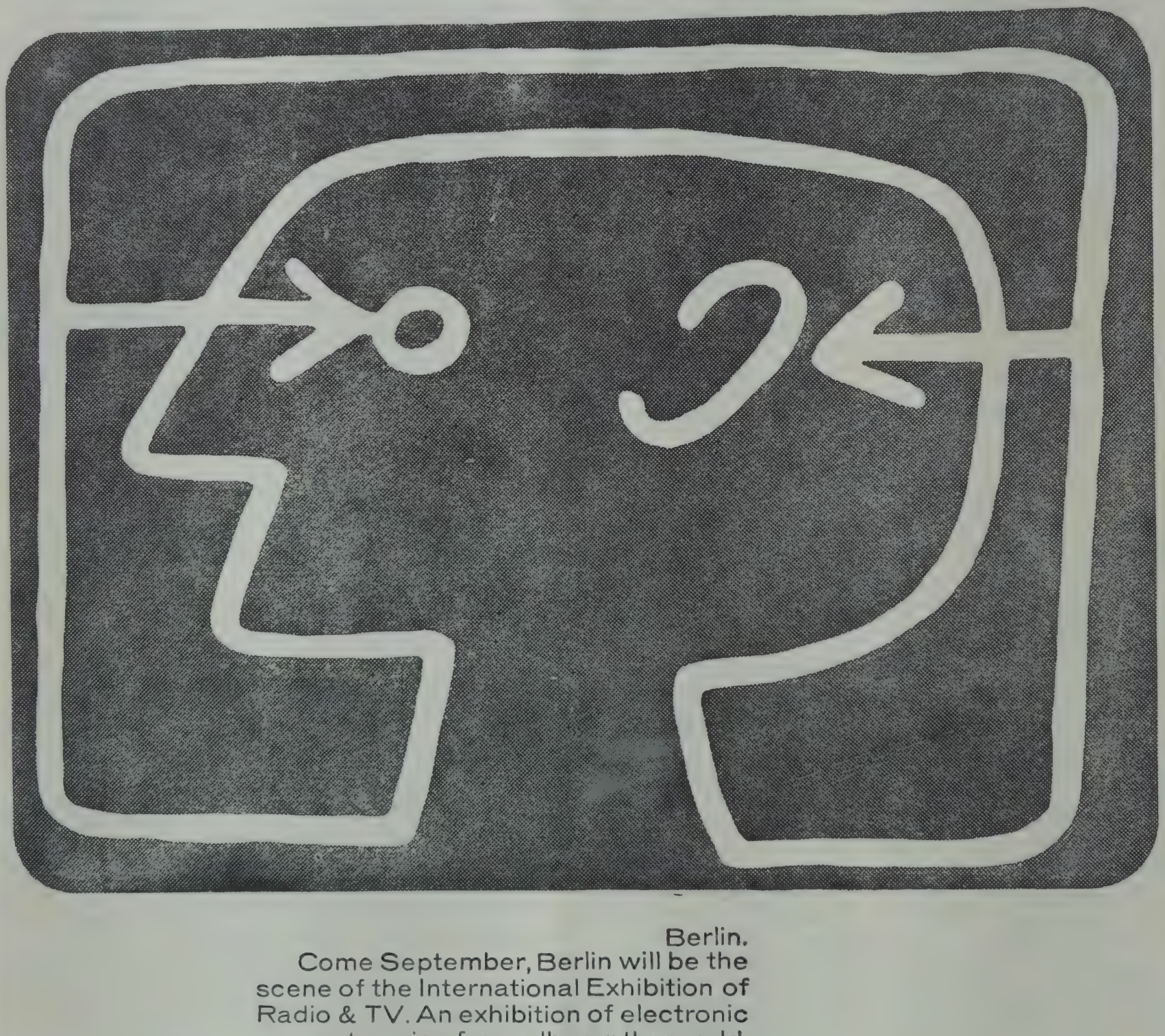
Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Ahmedabad Kaiser-Hind Mills Co	Dec. 31, 1972	18.0	15.0
Navsari Cotton and Silk Mills	Dec. 31, 1972	10.0	5.0
Jayabharat Credit & Investment Co	Dec. 31, 1972	12.0	10.0
Nagri Mills Co	Dec. 31, 1972	14.0	12.0
Asher Textiles	Dec. 31, 1972	12.5	10.0
Coimbatore Cotton Mills	Dec. 31, 1972	10.0	9.0
Tirmurti Mills	Dec. 31, 1972	12.0	4.0
Venkatesa Mills	Dec. 31, 1972	9.0	6.0
Kamla Sugars	Dec. 31, 1972	9.0*	Nil
Kohinoor Mills	Dec. 31, 1972	8.0	Nil
Same Dividend			
Adarsh Chemicals	Dec. 31, 1972	15.0	15.0
Jaipur Spinning & Weaving Mills	Sept. 30, 1972	Nil	Nil
Tubes and Malleables	Dec. 31, 1972	10.0	10.0
Gujarat Machinery Manufacturers	Sept. 30, 1972	Nil	Nil
Jeewanlal (1929)	Dec. 31, 1972	10.5	10.5
Shri Dinesh Mills	Dec. 31, 1972	12.0	12.0

*Maiden dividend

International Radio & TV Exhibition 1973



Berlin.
Come September, Berlin will be the scene of the International Exhibition of Radio & TV. An exhibition of electronic enterprise from all over the world. And from the host country, Germany, too. The country that's co-operating with India in TV technology.

Berlin.
Spirited and vibrant. City of fun and fairs. Of art and music, commerce and industry. Berlin. Proud and free.

Berlin
Germany's bridge across Europe.

Federal Republic of Germany

mcm/frg/636

Chairman's Statement

VOLTAS LIMITED

Another year of good results and substantial contributions to industry and agriculture.

The following is the statement of Mr. M. R. Bhide, Executive Chairman, Voltas Limited, circulated to the members of the company with the Annual Report for the year 1971-72.



Mr M.R. Bhide

To the Members,

You will be glad to note that in 1971-72 your Company achieved a turnover of Rs. 131 crores with a net profit of Rs. 4.38 crores.

2. The Directors' Report deals with the overall performance of the Company in fair detail. I shall, therefore, confine myself to a few significant developments during the year and also briefly deal with a few important provisions of the Companies (Amendment) Bill, 1972.

3. Over the years, Voltas has come to be regarded as a major integrated marketing, engineering and manufacturing organisation with a manufacturing complex at Thana and an extensive net-work of twelve Divisions, nine Branches, a number of Area Offices and Depots. Added to this, is the Company's dealership organisation throughout the country. It is in this integrated marketing organisation that lies the strength of your Company.

4. With a view to rendering better service to customers, it has recently been decided to set up a new Consumer Affairs Department. This department will collect, evaluate and communicate information relating to the reactions and attitudes of customers towards the Company's products, services and operations and thus assist the Management in establishing the highest standards of customer satisfaction. It will also assist the Management in ascertaining customer needs and in identifying potential customer groups, particularly in the rural areas and in the economically weaker sections of the community.

5. The following sectoral break-up of sales will give you an idea of the important role played by the Company in the country's economy:

	Rs. in crores
Agriculture	33
Consumer products and consumer durables	46
Mining and engineering industries	24
Textile	12
Power generation and distribution	9
Others	7

6. Agriculture is still the backbone of the Indian economy. Improved agricultural techniques, aided by five consecutive good monsoons have brought about a great transformation in the agricultural field. (Unfortunately failure of the monsoon this year has seriously affected agricultural production). Your Company has been making its humble contribution to this by bringing to the doorstep of the farmers, various agricultural inputs at fair prices. These are mainly tractors, agricultural implements and pump sets.

7. Although the Company sold a substantially higher number of tractors than in the previous year, there was a decline in the profitability of this product-line for reasons mentioned in the Directors' Report.

8. The position regarding the demand for and supply of agricultural tractors is very confusing. Availability during 1971 and 1972 was estimated in round figures as follows:

Year	Indigenous production	Imported	Total availability
1970/71	19,600	16,700	36,300
1971/72	16,500	16,500	33,000

Indigenous production, in spite of two price increases during 1971 and 1972 did not increase substantially, because of—

(i) the increase in price was largely neutralised by the higher cost of raw materials and a higher tax element. In the case of B-275 tractor, the tax element was between Rs. 6,500 and Rs. 8,500 per tractor;

(ii) the demand for tractors is depressed due to drought conditions in several States, low ceilings on land-holdings in some States, uncertainties about ceilings on land-holdings in other States, difficulties in obtaining funds for purchase of tractors due to improper land records, poor recoveries of past loans given and increase in tractor prices (including import and excise duties);

(iii) serious labour problems in some units.

9. There is hardly any waiting list today for tractors, except that there may be some backlog of unexecuted orders due to there being little or no production in some units.

10. Six units, at present, are in regular production, with a capacity of 36,000 tractors per year. In addition, there are two units which have commenced assembly production with imported *ckd packs*. Another eight units are at different stages of implementation. These 10 would add another 87,000 tractors a year, bringing the total production to 1,23,000. There are a few units which have got letters of intent, but have not implemented them to any extent. If and when they do so, their production would be of the order of 54,000 tractors, thereby raising the total capacity to 1,77,000 tractors. In view of this, it is difficult to understand Government's desire to import tractors and to license a number of new units. The real

question is, whether there is a market in India today or in the near future, for such a large number of tractors of various makes and sizes. Based on available information, the present demand is believed to be less than 40,000 a year and it is unlikely that for quite some years to come, it will exceed 50,000 a year. The whole question therefore needs an expert study.

11. Consumer products and consumer durables accounted for 35% of the total sales. With its extensive distribution network, the Company is able to cater to the needs of consumers spread throughout India in the most economical manner possible.

12. Consumer products and consumer durables business, as a rule, is highly cost and capital intensive and consequently, the rising costs of operations and financing have an adverse impact on the profitability of this business. Stricter control over inventories, outstandings and costs of distribution has to be continuously maintained and this is not possible without the use of Electronic Data Processing and other modern management techniques. The Unions must realize this and fully cooperate with the Management particularly when all possible assurances to protect the interests of the employees have been given.

13. The Company is one of the largest suppliers to the mining industry. With the large allocation for mining in the draft Fifth Five Year Plan, we expect a substantial increase in our turnover and export of mining equipment. Two new models of drills were developed and marketed during the year and further models of higher capacity are at present under development. The demand for water well drilling rigs is going up and we have received orders for a number of such rigs.

14. Our Machine Tool and Construction Equipment & Materials Handling Divisions supply sophisticated equipment to the engineering industry as well as to defence organisations. With the emphasis on rapid industrialisation of the country, the demand for the products handled by these Divisions is bound to go up in future.

15. Airconditioning and refrigeration constitute our most important manufacturing activity and we continued to maintain our pre-eminent position in this field during the year. Two new models of room air-conditioners—1½ ton Carrier Cosmopolitan and 1 ton Crystal Deluxe—were introduced during the year and were well received in the market. We have recently been devoting considerable attention to developing skills in a number of specialised fields such as marine airconditioning, railways and bus airconditioing, refrigerated vans, etc.

16. The textile industry, which has been passing through difficult times in the last few years, showed noticeable improvement in the year under report. With growing rural prosperity, the demand for textiles is bound to go up considerably in the next few years. This will generate additional demand for textile machinery. The programme for the rehabilitation of many weak and sick mills will give a further fillip to the demand for textile machinery. In the year under report, your Company was able to maintain good progress in the sale of textile machinery and the value of pending orders at the end of the year was over Rs. 21 crores.

17. The importance of power generation and distribution in the Indian economy cannot be over-emphasised. Unfortunately, power generation has lagged considerably behind the growing needs of the country, partly due to serious delays in completing the projects in hand and partly due to shortage of funds. Recently, there have been power cuts in most States and this has adversely affected industrial as well as agricultural production. It is, therefore, necessary that this sector receives special attention and substantial additional funds.

18. Our Electrical Division continued to cater to the needs of the State Electricity Boards and various projects for power distribution equipment and was able to secure substantial orders during the year. We hope to do more business in the coming year.

19. We continued to strengthen and expand our manufacturing activities to the maximum possible extent. In the last two years, the production at Works transfer prices, at our Thana Works, has gone up substantially from Rs. 6.32 crores in 1969-70 to Rs. 9.32 crores in 1970/71 and to Rs. 11.74 crores in the year under report. We have already reached our full licensed capacity in the case of certain products and shall be doing so soon, in the case of certain other products. I am glad to report that of the five applications made by us for doubling of capacity, three have been approved by Government. We have also received letters of intent in respect of centrifugal packaged chillers, transport refrigeration equipment and plate freezers and expect to commence work on these, shortly. These three projects, when completed, will add Rs. 3 crores to Rs. 4 crores to the output of the Thana Works.

20. Last year, I had mentioned the importance of research and development and that a full-fledged Research and Development Division was being set up with substantial allocations. I am glad to report that this investment has already started yielding the desired returns. A number of new products in various fields were developed; while others will be developed in the near future. The Research and Development Division has made a good contribution in the area of import substitution, product improvement, standardisation, variety reduction and quality audit. A separate cell has been set up in the Division, for this purpose. The research and development activities are growing at a rapid pace and it is proposed to construct a new building entirely for this Division. The total expenditure, including capital expenditure, on research and development in 1970-71 was Rs. 20 lakhs, in 1971/72, Rs. 29 lakhs and the allocation for 1972/73 is Rs. 59 lakhs.

21. Our exports this year were higher than last year, though progress in this respect is still very slow for a variety of reasons, one of the most important being the stalemate in Indo-Egyptian trade. We have broken fresh ground in European countries by exporting a number of diamond drill bits and window airconditioners and hope to diversify our exports to include chemicals, engineering goods and components. The emergence of Bangladesh offered us new opportunities and we were able to export a bulk quantity of Amulspray and have received a repeat order for this product.

22. Last year, I stressed the importance of long range planning. During the year, an organised attempt was made to identify the directions in which the Company could move in the next five years. The broad areas which provide scope for future growth are airconditioning, agricultural inputs, consumer products and consumer durables, mining, air pollution control, major projects on turn-key basis, etc. A few major proposals, having long term implications, are at present under consideration.

23. The Company continued to maintain satisfactory progress during 1972-73 and the total sales for the first four months ended 31st December, 1972 were higher by approximately 20% as compared to the corresponding period of the previous year. The business in the remaining part of the year may, however, be adversely affected as a result of lower margins, shortage of raw materials and power, rising costs, labour unrest etc.

24. I shall now deal briefly with a few of the more important proposals in the Companies Act (Amendment) Bill

1972 some of which vitally affect your Company.

25. I wish to make it clear that the views I express are my own and my colleagues on the Board are not, in any way, responsible for them. It is reported that these proposals are only the first instalment and that more will come in due course. There has been considerable public discussion of the Bill, which is now before a Select Committee of Parliament.

26. The Bill seeks to check and prevent abuses and malpractices which, according to Government, have crept into the corporate sector. Most representatives of the corporate sector, however, assert that there are no large scale abuses and malpractices and the proposed amendment are not justified. I feel that the truth lies between these two views and that a wholesale condemnation of the Bill is unwarranted. The real question is whether such absuses and malpractices exist and if so, can they not be dealt with under the present law. I feel that there are such abuses and malpractices on some scale. Some can be tackled under the present law, but there are others which require some amendments to the law.

27. I deal briefly with some of the more important clauses of the Bill:

(i) *Clause 5* substantially enlarges the scope of the present Section 43A and consequently a number of private companies will be deemed to be public limited companies and they will be subject to various restictions and limitations applicable to public companies, such as:

(*a*) their Profit and Loss Statements would be available to the public;

(*b*) they would have to secure the approval of Government for certain appointments and also for intercorporate loans and investments in some cases;

(*c*) they will have to follow the elaborate procedures laid down for public limited companies.

They will thus become subject to greater governmental control and greater public scrutiny. I see no valid objection in principle to this. The proposals, however, cover far too large an area and should be modified with a view to leaving out the smaller private companies. Otherwise, administratively, it will not be possible to handle the work properly.

(ii) *Clauses 8, 11 & 12*: Certain powers vested in courts are to be taken over by Government. If this is done, it will throw serious doubts on the bonafides of Government. Political pressures and influences in economic matters are rightly regarded as highly undesirable. In actual practice also, there will not be saving of time. For the safety of corporations and individuals, the jurisdiction of courts should continue.

(iii) *Clause 10*: The provisions of clause 10 will control take-over bids by groups and combines. There is clearly a need for this in certain conditions and circumstances, particularly where such bids involve repatriation of capital. At the same time, control of the type as suggested should not be such as would adversely affect the liquidity of the corporations and cause harm to the credit of the individuals and institutions connected with them. The control should, therefore, be the minimum possible required to prevent real abuse by large shareholders and also to prevent takeovers which have anti-social objectives.

(iv) *Clause 16*: The Reserves belong to the shareholders, whose right to utilise them should not, as a general rule, be abrogated. If, however, there is a fear that some companies, particularly foreign companies, may fritter away the Reserves by paying them out as dividends, it can be stipulated that dividends in excess of the previous 3 years' average or say 20%, whichever is lower, should not be paid from the Reserves without the approval of Government.

(v) *Clauses 20, 21 & 34*: The basic right of the shareholders to appoint their auditors should, as a general rule, remain unfettered. However, if Government so desires, it can have an additional audit by its own auditors.

(vi) *Clause 23*: It will be necessary to secure Government approval to the first appointment and subsequent reappointment of a Managing Director or whole-time Director. I strongly support this proposal. Otherwise, influential but inefficient persons may become life appointees.

(vii) *Clause 24* substantially restricts the appointment and operations of sole selling agents or distributors in various ways. It is no use denying that exmanaging agents and secretaries and treasurers have, in a number of cases, got themselves appointed sole selling agents, consultants, advisers, etc., because of their strong position in the Boards of these companies, although they had no real expertise or experience in this work. It is, therefore, necessary to have some effective control over such appointments.

The proposals leave it solely to Government to decide whether there is a seller's market and that no special efforts are needed to sell the goods. It will not be really possible for Government to come to such a clear decision without a detailed market survey. The position regarding supply and demand is constantly changing. Marketing of consumer goods, consumer durables and machinery requires a great deal of effort by the selling agents. It is a specialised job, requiring a lot of time, expertise of various kinds, adequate technical staff, finance on a large scale, etc. Only a very large company with a wide range of products can provide all these on its own. In many cases, therefore, a specialised marketing agency is absolutely necessary and unless it is assured of continuity of business over a reasonably long period and over a large territory exclusively, its services may not be available to a manufacturing company.

Many trading companies often have a reasonable financial interest in a manufacturing company and such investment has, in the past, been very helpful in getting the manufacturing companies started. There are also cases where a trading company provides some working capital to it through advances against orders. But for such advances, the manufacturing company may not be able to continue in production. Apart from the special cases mentioned earlier, there should be no fresh restrictions on the appointment of sole selling agents or distributors, in addition to the restrictions that already exist under the Companies Act and the Monopolies & Restrictive Trade Practices Act.

(viii) *Clauses 3, 27, 28 & 39* deal comprehensively with the concept of 'same management', which has now assumed special significance consequent on the abolition of managing agents and secretaries and treasurers. In this connection, the meaning of 'group' as defined in the new clause 18 (A) to be added to Section 2 of the Companies Act, is relevant. It is very comprehensive and includes all possible permutations and combinations of individuals, associations, firms or corporate bodies. The word 'control' has not been defined in the Act, but it is not difficult to understand what it means. The main criteria for determining whether control exists or not are (1) is there direct management? (2) does the group substantially form the Board and control its working? (3) does the group's shareholding enable it to exercise control over the Company?

There is no doubt that in many cases, a 'group' with a small shareholding virtually controls the composition of the Board of Directors and the working of the company. It is able to do so, as it has been in control for quite some time because of its original large shareholding and managed the company and continues to do so today, even though its shareholding has since then gone down substantially. In some cases, decisions are, in practice, taken by them with-

out the previous approval or even the knowledge of the Board of the company. It is, therefore, necessary in the general public interest that something is done to stop this kind of abuse and malpractice.

Another serious abuse is that the Boards of these companies, at the instance of the 'group directors', use the funds and reserves for investment in other companies of the same group; in some cases, the other companies are financially or otherwise not sound.

28. The proposed amendments mentioned above, will affect a large number of companies and a few good companies may suffer along with bad companies, whose number, I am affraid, is not insignificant. I do not wish to dilate on this further, except to repeat that I am convinced that there are undesirable practices in many cases. The provisions of the amending Bill should be carefully scrutinised and modified where justified. The object is to prevent abuses and malpractices and in doing so, care should be taken that to the maximum extent possible, the innocent do not suffer.

29. In making these proposals. Government is obviously acting on the basis of complaints by the Public, reports and information received from its Officers and others and also, questions raised in Parliament. A lot of this information is biased, or incomplete, or false, I also fear that ideological and political pressures have also played a part. All the same, I am not prepared to believe that all the complaints and allegations are false.

30. Government has, at present, very large powers under the Companies and Monopolies & Restrictive Trade Practices Acts. In actual practice, however, these powers are not being exercised on any scale. Government is short of staff, particularly staff competent enough to deal with these matters and in practice, is able to do very little. Occasionally, cases are dropped as a result of political and other pressures. If the Bill becomes law, to implement it properly and promptly, a lot of qualified staff will be required. In its present financial position, this may not be possible. Political and other pressures may also prevent prompt and adequate action. There is, therefore, a danger that the Law in many respects may largely remain a dead letter. Let Government, therefore, go into all these carefully and decide how much it can chew, before it takes a large bite.

31. Your Company has continued to make its contribution to the economic development of the country and also made a substantial contribution to the public exchequer in the form of various taxes and duties to the extent of Rs. 11 crores during the year. I am sure that if we are allowed to grow, we shall be able to play a still larger role in promoting industrial growth in the country and in contributing to the public exchequer.

32. Except for Scottish Indian Machine Tools Ltd., all other associated companies made good progress during the year under report. Simtools did a little better both in production and sales as compared with last year, but even then, made a loss. Shortage of raw materials and imported components and rising costs of production were two of the major causes responsible for the loss. During the year, the Board of Simtools considered a few proposals for diversification of its activities, but could not go ahead with them because the capital investment required was very high and the gestation period was too long. Several steps have, in the meantime, been taken to streamline the working of the Company and a few fresh proposals to make its operations viable are, at present, under consideration.

33. Industrial relations continued to be satisfactory till almost the end of the year under report and contributed substantially to the achievements of the Company. During the year, most of the Charters of Demand of the Branch Unions were discussed and settled by agreement with them.

34. Some issues, *e.g.* Electronic Data Processing. revision of Dearness Allowance are however, still pending, inspite of a number of discussions on them since quite some time. Unfortunately, towards the end of the financial year, there were signs of agitation in spite of the fact that the Management gave all possible assurances for protecting the interests of the employees. By the end of December, various agitational activities such as shouting of slogans, go slow, work-to-rule, no over-time, etc. were resorted to. I earnestly hope that wiser counsels will prevail and normalcy is soon restored. If this does not happen, the operations of the Company, particularly on the manufacturing side, will be severly affected and will cause serious loss to the Company, its employees and shareholders.

35. During the year. Mr. A.H. Tobaccowala joined as Managing Director. Mr. P.C. Cheryan continued as Executive Director (Sales & Engigineering), for nearly half of the year. He was re-elected as a Director at the last General Meeting and his valuable advice will thus continue to be available to the Company. I am grateful to my colleagues on the Board of Directors for the wise counsel and assistance given by them to me. I would like, on behalf of the Board, to thank you for the confidence you have placed in us. Finally, I wish to place on record my appreciation of the members of the managerial as well as the general staff for their exceellent work and co-operation during the year.

Industrial Relations

Expectations of significant improvement in operations during the current financial year have been frustrated by the disruptive labour agitation carried on by the Voltas Employees' Federation and its affiliated Unions: mass demonstrations during working hours, go-slow, work-to-rule and intimidation. Unionised employees have been excluded from several Fort area offices since February 12 and operations at the Thana Works had to be discontinued from March 28 following a gherao of 5 senior officers. The indefinite strike call from May 16, 1973 given by the Federation has been ignored and rejected by a number of Branches and Offices of the Company and has been effective principally in Bombay, New Delhi and Bangalore.

The dispute centres around the insistence of the Employees' Federation to determine where, how and when Electronic Data Processing may be used in the Company even though a guarantee of no adverse effects on employees has been given. No other Union in India has sought or secured the type of control that the Voltas Federation demands, restriction which would greatly handicap the Company's competitive position and its ability to improve the emoluments of employees.

The Company has repeatedly reaffirmed its willingness to resume operations at Thana and in the Fort area on receiving an assurance that there would be no disruptive or coercive agitation on any of the existing issues, all of which can be speedily settled, particularly increase in Dearness Allowance. The Maharashtra Government has generally supported the Company's view that resumption of operations must be preceded by an assurance of industrial peace.

The 20% bonus paid for 1971-72 to the Company's 7300 employees approximately equals in amount the dividend at 17% paid to its 10,500 shareholders.

The Company sincerely hopes that peaceful conditions will soon be restored and that it can resume normal operations which are so necessary in the long-term interests of the Company's employees, its shareholders, its customers and of the nation.

NOTE: The above statement is not a report of the proceedings of the Annual General Meeting which was held on 28th May, 1973.

CEAT TYRES OF INDIA LIMITED

Statement of the Chairman, Mr P.A. Narielwala, to the Shareholders for the 15th Annual General Meeting held on 16th May, 1973.

Ladies & Gentlemen,

1. For your Company, the year 1972 was an outstanding success. The production of automotive tyres increased substantially and the plant's output exceeded the licensed capacity by about 25%. Our profits too showed a handsome growth of Rs. 423.21 lakhs before tax.

2. Your Board has continued its policy of sharing with the shareholders the Company's prosperity, and the Directors have recommended for your approval the payment of a dividend of Rs 17/- per share, which is higher by Rs 2/- per share, over the dividend distributed in 1971. We shall thereby be distributing to the shareholders a sum of Rs 56,77,320 as compared with Rs 45,54,000 distributed in the previous year. The higher dividend will also be paid to the holders of the new Right Shares issued last year to the Indian shareholders.

3. Availability of natural rubber and other raw materials was satisfactory. However, since December 1972, the industry has been experiencing a shortage, and for a short time complete non-availability, of synthetic rubber due to the sporadic working of Synthetics & Chemicals Ltd.'s plant at Barielly, on account of its dispute with the Government of Uttar Pradesh regarding the imposition of 'vend' fee on alcohol, the principal raw material required for the manufacture of synthetic rubber. The dispute has now been resolved and the factory has resumed production, and it is hoped that it would soon reach the rated capacity and meet our full requirements of synthetic rubber. Another point of concern to the industry is the reduction in the production of nylon tyre yarn cord fabric by one of the indigenous manufacturers, due to the temporary non-availability of caprolactum, the principal raw material required for the manufacture of nylon.

4. We had estimated last year, that the production of automotive tyres would be 5.5 million units in 1972. This target could not be attained on account of continuous go slow and strikes in some of the plants of the industry, but very largely due to power cuts in many parts of the country.

The production for the year was about 5 million units, an increase of only 7.75%, compared to 1971. This has led to shortage of truck and bus tyres. Government has arranged to meet a part of the deficit by allowing import of tyres at considerable cost to the country's meagre foreign exchange resources.

5. In view of the present power cuts in the states of Maharashtra, Tamil Nadu and Haryana, the production of automotive tyres in 1973 will be seriously affected and the industry is unlikely to maintain the levels of production attained in 1972. The shortage of synthetic rubber in the first quarter of this year has further reduced the production of truck and bus tyres. Our own production has already been affected and is lower by 6% in the first quarter of 1973, as compared with the corresponding period of 1972. It is too early to say whether we shall be able to make up this shortfall in the remaining nine months of the year as the restrictions on power are not likely to be withdrawn till after July 1973. In view of this anticipated shortfall Government would be well advised to continue with import of truck and bus tyres to avoid disruption of road transport.

6. Due to the shortfall in our production, our costs are expected to increase during the current year. Added to it we have to bear an additional burden of about Rs 70 lakhs as a result of the new levies imposed in the last budget, on carbon black, nylon tyre cord (both imported and indigenous) and rubber chemicals.

Shortage of synthetic rubber will also contribute to increase in costs, because of the larger use of higher priced natural rubber as a substitute. Even with all our efforts of bringing about economies in operations, we shall not be able to offset these extra costs by corresponding increase in the prices of our products, due to Government restrictions.

7. The export of tyres in 1972 by the tyre industry increased by Rs 90 lakhs and to talled Rs 796 lakhs. Your Company's exports increased from Rs 201 lakhs to Rs 251 lakhs and we have once again more than complied with the guarantee given to Government of exporting 10% of our total production. For the second consecutive year, the Company has been awarded the Chemicals and Allied Products Export Promotion Council's Export Award for outstanding export performance amongst automotive tyre manufacturers.

8. I regret to say that our hope of starting the Bicycle tyre plant at Nasik, in the second half of last year, could not be realised due to reasons set out in the Directors' Report. Trial production commenced in February 1973, but on account of power restrictions, which may be removed after July at the earliest, the plant will continue to operate only on a single shift basis. Before we put the bicycle and rickshaw tyres in the market we are carrying out necessary tests to satisfy ourselves that their quality is upto the standard of the trade mark CEAT that they will bear,

9. It has been mentioned in the Directors' Report, that a Research and Development Department has been set up, and useful results are expected in course of time. It should be stressed that to keep abreast of the latest international technological developments will involve substantial capital outlay, and recurring annual expenditure which will continually be on the increase. As the benefits of our research will be available in a significant manner only after a number of years, it would be of disadvantage to the Company to put a total stop to the continuity in the flow of latest developments that are being made available to us by CEAT International.

10. It is, therefore regretted that no decision is forthcoming from the Government of India on the question of the renewal of the technical collaboration agreement with CEAT International. Although, since June 1968, we have not reimbursed the actual expenses incurred by them on our behalf, our collaborators have continued to make available to us the latest technological developments being done by them, which include research work on tyre designs, performance requirements, raw materials, and manufacturing techniques and equipments. The expenses involved in the day to day maintenance of

technical service establishments are large and I am sure no company in India will be able, either by itself or in conjunction with others in India, to set up establishments comparable to the ones maintained by our principals and other major international trye companies. Even the advanced countries of Europe as also Japan, do not hesitate to take advantage of the new developments made by other countries in rubber technology by payment of royalty or technical fees. The success we have achieved in the export of our products is the result of the constant flow of technical information passed on to your Company by our collaborators. I should like to compliment them for their patience and to tender our appreciation for all the assistance rendered to us.

11. As mentioned earlier we estimate a shortage of bus and truck tyres during 1973 of about 700,000 units if the present power cuts in the different states are not expeditiously withdrawn. While Government is permitting the original equipment manufacturers and state transport to import a certain quantity of truck and bus tyres for their requirements, they have also appreciated the need for the tyre companies to increase their production of these types of tyres. The industry has been recently informed that Government would be willing to consider allowing them to import balancing equipment with a view to achieving higher production of bus and truck tyres. We had been issued a licence for the import of truck tyre building machine and band building machine for the manufacture of additional 10,000 truck tyres. This equipment has been installed and will be commissioned in the second half of the current year. We have also made an application for increasing the production of both truck and passenger tyres by 160,000 numbers and it is hoped that the necessary licence for the import of machinery will be issued at an early date. The cost of financing this increase in Production, estimated at Rs 269.10 lakhs, will be met from internal resources.

12. I would wish to make a brief mention about the distribution of tyres. We have fully implemented Government policies in ensuring that defence, state transport, original equipment manufacturers and exports are always being given priority in the matter of supplies. We have also co-operated with State Governments in implementing controls on tyre distribution which vary from state to state. I have to stress that the present problem of shortage of truck and bus tyres is not on account of maldistribution, but due to reduced production caused by labour problems and power cuts in the country as mentioned by me earlier. The industry has made repeated requests to Government for exempting the tyre manufacturing plants from the power cuts that have been enforced by various State Governments, but with little success.

13. At the Extra-Ordinary General Meeting held on 27th February, 1973, I had informed the shareholders that Dr. Angelo Tealdo had requested that he be relieved of his duties as the Managing Director of the Company from 16th May, 1973, as he had been appointed Director and General Manager of CEAT S.p.A., Torino, Italy. The Board has agreed to his request, albeit most reluctantly. Dr. Tealdo has however, agreed at the request of the Board to continue his association with the Company. The Directors have appointed him as the Vice-Chairman of the Company and also appointed him as Additional Managing Director on a nominal remuneration.

14. May I take this opportunity, on your behalf and that of the Board of Directors and on my behalf, to place on record our most sincere appreciation and gratitude to Dr. Tealdo for his dedicated services and whole-time devotion to the advancement of your Company. We all wish him well and we have no doubt that in his new assignment he will achieve as much success as here.

15. Mr. G. C. Guglielmino will succeed Dr Tealdo as the Managing Director of the Company. I am confident that he will maintain the traditions laid down by Dr Tealdo and take your Company forward in development and achievement.

16. The results of 1972 bear ample testimony of the confidence your Directors have in the future of your Company and if our applications for expansion and for a new factory are approved by Government, your Company will make strides forward to become one of the leading tyre companies in India — a Company with a growth potential, rendering national service to the country and yielding a progressively improved return to its shareholders.

17. Before I conclude, I would like to convey on your behalf and on behalf of the Board, to our employees at all levels our warm appreciation of their full co-operation throughout the year and of their hard work and devotion to duty. In particular, I should like to thank the labour for having worked with a sense of responsibility and without a day's disruptlon. The Board has appreciated their work and has agreed with the recognised Union to the payment of an ex-gratia amount in pursuance of its policy of sharing the Company's profitability. I hope that in the current year and the years to come, there will be the same sense of devotion to duty so that we continue to prosper and achieve results as have been accomplished during the year under review

Note : "This does not purport to be a record of the proceedings of the Annual General Meeting."

TRAIN YOUR TRAINING EXECUTIVE AND PLANNERS

AT

CENTRAL STAFF TRAINING & RESEARCH INSTITUTE, CALCUTTA, DASNAGAR, HOWRAH-5.

The Central Staff Training & Research Institute Calcutta, Dasnagar, Howrah has been established by the Govt. of India in collaboration with the Federal Republic of Germany. This Institute runs regularly the staff training courses for developing training officers from industrial establishments as effective training executives for planning, organising, executing and evaluating skills and supervisory training programme in the establishments.

Duration of the Course: 3 months.

Courses during the year 1973: (a) Period from 2.7.1973 to 29.9.1973 (b) Period from 1.11.1973 to 31.1.1974.

Eligibility: Persons already serving or proposed to serve as Training Officers in industrial establishments having degree or diploma in engineering, are eligible for the course. Private individuals having requisite qualification and experience may be accepted on individual merits.

Course Fees: (a) The tuition fees of Rs. 20/- per month is charged from the participants nominated by private organisation. (b) Private individuals have to pay a tuition fees of Rs. 25/- per month. (c) Nominees of Govt. organisation are not required to pay any tuition fees.

Tuition fees are to be deposited lump sum in advance for the full duration of the course.

Accommodation: Hostel facilities consisting of modestly furnished single room accommodation are available at a nominal rent of Rs. 2.50 p.m.

N.B.—Application forms or any other particulars related to the course can be had directly from the Director, CST & RI Calcutta, Dasnagar, Howrah-5.

DIRECTORATE GENERAL OF EMPLOYMENT & TRAINING MINISTRY OF LABOUR & REHABILITATION, GOVT. OF INDIA.

davp-591(9)/73

National and Grindlays Bank Group

Geographical distribution of profits

	1968	1969	1970	1971	1972
	%	%	%	%	%
United Kingdom	56	56	61	55	53.5
Asia	31	24	25	27	24.0
Africa	13	11	12	18	15.1
Mediterranean and Middle East	—	9	2	—	7.4
	100	100	100	100	100
In £000's	£1,502	£2,101	£2,948	£4,161	£5,069

Results	1972	1971
Capital and reserves (including loan capital)	£70.4m.	£52.8m.
Shareholders' Funds	£44.2m.	£38.6m.
Deposits	£1,021.7m.	£849.7m.
Advances	£554.7m.	£454.4m.
Cash—short term funds and at Bankers	£367.1m.	£272.8m.
Consolidated Profit after Tax before extraordinary items	£5,069,000	£4,161,000

In his Statement to the Shareholders of National and Grindlays Bank Limited, the Chairman, Lord Aldington, said :

Both the Profit and Loss Account and the Balance Sheet at the end of 1972 show that the year was a good year for the National and Grindlays Group.

We ended 1972 with a broader and better organized base for future operations, and with a Management Team whose ability and organization has now been well proved.

Management and Staff

In commercial banking operations, we have worked out in London and spread to our overseas network, "Management by Objectives" which is applied to middle and lower management as much as to top management in countries, regions and branches.

All this releases well-trained bankers for developing the business, for better marketing and for better credit supervision. It also brings more of management at all ages into touch with Group problems.

The key to the future strength of the Bank lies in the calibre of men and women whom we are able to attract to the Bank's service year by year. We intend that our International Banking Staff shall include Europeans and nationals of other countries as well as British.

The Profit and Loss Account

The Profit, after tax and all ordinary deductions, for 1972 amounting to £5.069 million compares with the Profit for 1971 of £4.161 million. Total Capital Resources have risen from £53 million in 1970 to £70 million by the end of 1972. The 1972 Profit gives a return on Shareholders' Funds of 11.5% compared with 10.8% in 1971 and 7.7% in 1970.

Balance Sheet

The principal balance sheet event of 1972 was the increase in the Group's capital as a result of a very successful issue of Euro-dollar bonds at the end of the year. The Reserves show an increase of £5.4 million over the year of which £3.24 million was from undistributed 1972 earnings.

Principal Accomplishments in 1972

Our business in India continues to expand and improve in efficiency. The Merchant Banking Division had a distinguished success over the Mangalore Chemicals issue. We have been able to increase our foreign currency lending to India on commercial terms. India takes the lead in our overseas banking structure and it was in Calcutta last October that we held our first Overseas Planning Conference for Management—an event which showed the enthusiasm and drive which our Management have.

General

Despite the problem areas of 1972, I can confidently say to you that we are better placed now than ever before to take the opportunities that the developing and developed world present to international banks. The principal key to our future success lies, as I said at the outset, in the quality of our Management—old as well as new.

Branches, Subsidiaries, Associated Companies or Representatives in :
United Kingdom, Algeria, Argentina, Australia, Bahrain, Bangladesh, Brazil, Caribbean, Cyprus, Dubai, Ethiopia, France, Ghana, Greece, Hong Kong, India, Japan, Jersey, Jordan, Kenya, Lebanon, Malaysia, Malta, Mexico, Nigeria, Oman, Pakistan, Qatar, Rhodesia, Singapore, Sri Lanka, Switzerland, Uganda, United Arab Emirates, U.S.A., Zaire, Zambia.

NATIONAL AND GRINDLAYS BANK LIMITED

NGB (Incorporated in the United Kingdom. The Liability of Members is Limited)

Copies of the Report and Accounts and full Chairman's Statement may be obtained from :

Office of The General Manager in India, National and Grindlays Bank Limited, 19, Netaji Subhas Road, Post Box No. 2645, Calcutta-700 001.

AM:NGB 2073

RECORDS AND STATISTICS

Plan for 1973-74

A TOTAL outlay of Rs 4,364.24 crores is envisaged for the annual Plan 1973-74 of the centre, state and union territories. This represents a step-up of about 10 per cent over the outlay of Rs 3,973 crores in 1972-73. The distribution of the outlay, which represents a little over 27 per cent of the fourth Plan outlay in the public sector, is (in crore rupees): centre 2294.40; centrally sponsored 147.43; union territories 86.41 and states 1836.00.

The annual Plan for 1973-74 presented to Parliament recently has been formulated keeping in view the basic objective of accelerated economic growth in a framework of greater social justice and economic self-reliance. The translation of the concept of self-reliance, the annual Plan underlines, calls for massive increase in our exports coupled with adequate expansion of such vital import substitutes as iron and steel, fertilisers, petroleum and non-ferrous metals. The annual Plan has laid considerable stress on accelerating development in these areas. Of the total outlay of Rs 751.57 crores provided under Industry and Minerals in the central sector, 28 per cent is allocated for steel, 13 per cent for fertilisers, 10 per cent for petroleum and nine per cent for non-ferrous metals.

In order to secure greater social justice, programmes designed io provide minimum basic amenities to all citizens requires to be expanded in scope and coverage. A sum of Rs 125 crores was made in the annual Plan for 1972-73 for a package of welfare measures. An equal amount has been provided in the central Plan for special welfare schemes during 1973-74.

To make a more effective impact on the problem of unemployment particularly among the educated persons, a new crash programme which will generate employment opportunities for an additional half a milion educated persons in various fields will be taken up during 1973-74. For this purpose a provision of Rs 100 crores has been made in the central Plan.

Another significant step which is being taken in the annual Plan for 1973-74 is the provision of Rs 150 crores for advance action on the fifth five-year Plan. This would enable the foundation to be laid for effective execution of the projects when the fifth Plan is launched. It would also ensure that the benefits of the Plan programmes will accrue within the Plan period itself.

Growth with social justice

The states' annual Plan has been formulated as a major instrument for realising the principal objeotivc of growth with social justice. Emphasis has been laid on the correction of regional imbalances, increased utilisation of potential created by irrigation schemes, intensified dry farming for stepping up agricultural production, speedy completion of crucial irrigation and power projects, economy in expenditure and strengthening of administrative machinery for effective and efficient implementation of Plan programme. In view of the widespread drought in the country and the disquietening unemployment situation in the country, special emphasis has been laid on integrated development programmes, particularly in the agriculture, irrigation and power sectors, programmes benefiting backward and vulnerable population section and employment-oriented programmes. Inspite of constraints on resources, the priorities in investment allocations have been maintained and crucial physical targets sought to be met. The states have also been requested to initiate work on advance action on the fifth-five-year Plan.

The Plan outlay in 1973-74 for states and union territories together is of the order of Rs 1922 crores which represents an increase of 19 per cent over the corresponding original outlay in 1972-73. Substantial increases in outlays have been provided for crucial sectors such as agriculture, irrigation, power, industry, education, hea'th, water supply and social welfare.

Plan outlay

The distribution of the Plan outlay by individual states (and the quantum of central assistance) in 1973-74 is as follows (in crore rupees): Andhra Pradesh 87.59 (55.21); Assam 52.97 (45.34); Bihar 133.04 (77.78);Gujarat 122.00 (36.43); Haryana 71.11 (18.11); Himachal Pradesh 30.58 (25.29); Jammu & Kashmir 43.80 (34.21); Kerala 70.10 (40.45): Madhya Pradesh 145.72(60.39); Maharashtra 259.52 (56.60); Manipur 8.91 (8.51); Meghalaya 12.00 (10.02); Mysore 82.37 (40,15); Nagaland 11.00 (8.06); Orissa 65.60 (37.03); Punjab 100.73 (23.37); Rajasthan 75.10 (51.02); Tamil Nadu 120.00 (46.60); Tripura 12.00) (8.62); Uttar Pradesh 250.00 (121.05) and West Bengal 91.86 (50.89).

The distribution of the outlay by union territories is as follows (in lakh rupees): Andaman and Nicobar Islands 365.00; Chandigarh 262.75; Dadra and Nagar Haveli 60.00; Delhi 5301.00; Goa, Daman and Diu 1173.00; Laccadive, Minicoy and Amindivi Islands 55.83; Mizoram 600.00; Arunachal Pradesh 439.00 and Pondicherry 384.60.

The annual Plan envisages distribution of the total outlay of Rs 4364.24 crores under the major heads of development as follows (rupees in lakhs); Agriculture & Allied Programmes 77558; Irrigation and Flood Control 29419; Power 68739; Village & Small Industries 5982; Industry and Minerals 75157; Transport & Communications 69970; Education 23851; Scientific Research 3307; Health 9127; Family Planning 5485; Water Supply & Sanitation 12272; Housing & Urban Development 6298; Wefare of Backward Classes 4099; Social Welfare 2669; Labour and Labour Welfare 1405; Social Welfare Programmes Continuing Schemes 12500; Others 5586; Crash Scheme for Educated Unemployed 10,000 and advance action for the fifth Plan 15000.

Physical targets

The targets of production envisaged in the annual Plan for food-grains and major commercial crops are: Foodgrains 115 mil. tonnes; oil seeds 9.50 mil. tonnes; sugarcane (in terms of gur) 13.50 mil. tonnes; cotton 6.50 mil. bales and jute 5.60 mil. bales.

The target of additional 1.5 million hectares is expected to bring to total area under minor irrigation, to about 7.2 million hectares which corresponds to the fourth Plan target. Under major and medium irrigation the targets of additional potential and additional utilisation envisaged are 1.06 million hectares and 1.21 million hectares respectively. Emphasis will be on the completion of the continuing schemes. In selecting new schemes preference will be given to those in drought prone areas and backward areas.

In power development, priority has been accorded to construction of transmission lines. The generating capacity is expected to be stepped up to 1946 million kw. from about 17.53 million kw. in 1972-73. This, however, falls short of the fourth Plan target of 23 million kw. Under the Rural Electrification Programme, 3 lakh pump-sets would be energised and 13,000 villages electrified. Thus, by the end of

the fourth Plan, about 2.4 million pump-sets would be in operation and 1.48 lakh villages would have been electrified.

Industrial production

With a view to sustaining the tempo of industrial production, considerable emphasis has been laid in the annual Plan for fuller utilisation of capacity and speedy completion of the on-going programmes. In crucial industries like steel and fertilisers, utilisation of capacity at 75-80 per eent and 85 per cent respectively is expected during the year. Of the total outlay of Rs 751.17 crores provided under Industry and Minerals, nearly 80 per cent will be directed towards accelerating the programmes in basic industries such as steel, fertilisers, petroleum, mineral development and non-ferrous metals.

Among the major developments envisaged under steel in 1973-74 is the expansion of the Bhilai Steel Plant and the acceleration of the tempo of construction work on the 1.7 million tonne stage of Bokaro Steel Plant. The annual Plan places the target of steel ingots production at 7.8 millon tonnes.

The targets of production of aluminium and copper is estimated at 210,000 tonnes and 2,000 tonnes respectively. In the heavy engineering sector, the performance of the various units of the HEC had improved considerably as a result of the measures initiated by the government in 1972-73. Further improvements in the performance of these units is expected during 1973-74. In fertilisers, several new projects with an additional capacity of about eight lakh tonnes of nitrogen are expected to be completed during 1973-74. The targets of production at the end of the year are 1.4 million tonnes of nitrogen and 0.4 million tonnes of phosphates.

The production of cement is expected to increase to 18 million tonnes from 16.5 million tonnes in 1972-73. The production of paper and paperboard is expected to go up to 850,000 tonnes, thus fulfilling the indicative target envisaged in the fourth Plan.

Production of iron ore is expected to step up to 40 million tonnes from 34 million tonnes in 1972-73, and coal to 80 million tonnes compared to 75 million tonnes in 1972-73. Production of crude petroleum and petroleum products are expected to go up to 7.8 million tonnes respectively.

A major part of the outlay of Rs 699.7 crores for transport and communications is accounted for by Railways, roads and communications. The programme for acquisition of rolling stock will be stepped up to 29,873 wagons against the anticipated acquisition of 12,000 wagons in 1972-73.

With the expected opening of 3,700 additional post offices during 1973-74, the likely achievement by the end of the Fourth Plan would be 15,390 post offices. The annual Plan envisages an additional 175,000 telephone connections. The main activities of overseas communications will be on the continuation of work on the construction of Second Earth Station at Dehra Dun and equipping it with new items of equipment to enable its working in conjunction with the latest intelsat.

Education and social welfare

Even with the full utilisation of the amount provided for elementary education, the annual Plan apprehends shortfalls in expenditure during the fourth Plan. Under the annual Plan, the UNICEF—sponsored programme for improvement of science teaching will be expanded further and the pilot project of Intensive District Education Development Programme accelerated. Under the university education, additional enrolment of students in Science cources during the year is estimated at three lakhs. Vocational courses would be provided as a part of the university curriculum at selected colleges.

Under Health and Family Planning 202 more primary health centres are required to be added to the present 5195 centres functioning to achieve the fourth Plan target. The states have been requested to take steps to realise this target. Additional beds required to realise the target of 25,900 set for the fourth Plan are to be established during the annual Plan.

Health & family planning

The Family Planning programme will be implemented as a part of the general health and nutrition programme and the maternal and child health component of the programme considerably strengthened. About 40 lakh children will be covered under the scheme for immunisation for infants and pre-school age children against DPT and 3.86 lakh mothers under the scheme for immunisation of expectant mothers against tetanus. The important physical targets envisad for 1973-74 are: sterilisation 6 million; IUCD 1 million; and users of Nirodh (by the end of the year) 10 million. Concerted efforts will be made to bring down the birth rate from 39 thousand population by 1973-74 to 32 per thousand which is the goal laid down in the fourth Plan. To achieve this, the operational goal is to protect about 28 million couples by the end of the year.

A provision of an additional Rs 100 crores has been made in the annual Plan for taking up additional programmes for providing employment and training facilities to five lakh educated persons. Suitable programmes are being formulated in consultation with the central ministries and state governments. These programmes would lay great stress on schemes that would generate and stimulate self-employment. Creation of package of consultancy services both in the private and public sectors towards this end will receive special attention. A large number of training opportunities will be created to prepare the necessary personnel required for the implementation of the basic minimum needs in the fifth Plan. Other schemes would include comprehensive natural resources surveys, organisation of a network of statistical base at district and state levels.

Other on-going employment schemes in operation will be continued with adequate provision therefor, totalling nearly Rs 140 crores. The annual Plan 1973-74 thus envisages a total outlay of nearly Rs 240 crores to create opportunities for productive employment of educated and uneducated persons in both the urban and rural areas.

RATES OF SUBSCRIPTION

EASTERN ECONOMIST WEEKLY

	Inland	Foreign	
Annual Subscription	Rs. 85.00	£ 10.00	$ 25.00
Half-Yearly Subscription	Rs. 45.00	£ 5.00	$ 12.50

RECORDS & STATISTICS QUARTERLY

	Inland	Foreign	
Annual Subscription	Rs. 16.00	£ 2.00	$ 4.00
Single Copy	Rs. 4.00	£ 0.50	$ 1.00

Note:—Subscription may commence, for the sake of convenience, from the first of any calendar month.

The back issues of previous years available; rates on enquiry.

It is requested that payment for the required period is sent along with instructions.

Foreign Air Mail rates on application.

Report of the committee on employment

MR B. BHAGAVATI, Chairman, submitted the report of the Committee on Unemployment to Mr K.V. Raghunatha Reddy minister of Labour and Rehabilitation on May 15, 1973.

The expert committee has recommended that a National Commission on Employment and Manpower Planning should be established. The commission should have adequate authority and professional competence. Thc committee in its report has dealt with some of the basic issues in the Indian unemployment situation and suggested a number of measures to solve the problem.

The committee has also recommended that goveinment of India should set up a Department of Employment and Manpower to make a comprehensive assessment and review of the employment situation on a countrywide basis. A similar department also should be set up in each state.

Dimensions of the problem

According to the committee the likely number of unemployed persons in 1971 may reasonably be taken as 18.7 million, including 9.0 million who are unemployed and 9.7 million who work for less than 14 hours a week and who may be treated on a par with the unemployed. These would include 16.1 million persons in rural areas (7.6 million males and 8.5 million females) and 2.6 million persons in urban areas (1.6 million males and 1.0 million females).

Number of matriculate job-seekers has tripled, the number of under-graduate job-seekers has quadrupled and graduates have become six-fold between 1966 and 1972.

Average of annual increase of job-seekers was 20.1 per cent from 1966 to 1971 and had touched 42.8 per cent from 1971 to 1972.

Labour force to the total popnlation was 34.6 in 1971.

The committee has also made few suggestions for better assessment of unemployment and under-employment including a central agency for effecting co-ordination of studies undertaken by a number of research agencies.

Employment Guarantee Scheme

The committee has recommended that the scheme known as the Rural Employment Guarantee Scheme, being implemented by the Maharashtra government has several salutary features which would help in tackling the unemployment problem and also in making a wholesome impact by providing assurance of work to the weaker sections of the people at the time when it is most needed. For these reasons this scheme merits the attention of the government and should be extended to other states also.

Backward areas

The committee has also pointed out that "in making allocations out of the provision of Rs 100 crores made in the central government's budget for the year 1973-74 for programmes to generate employment opportunities for half a million educated persons in various fields, the need for widespread diffusion of the benefits of the scheme should be kept prominently in view and in particular the needs and requirements of the backward areas and tracts of the country should receive adequate attention."

Irrigation

The committee also has suggested that 'provision should be made for adequate funds for continuing major and medium irrigation projects from year to year so that they are completed according to schedule and the benefits expected from them begin to accrue without delay to the regions concerned.

Rural electrification

The committee has also proposed that 'more studies in depth would be required for assessing the impact of the programmes of rural electrification on employment in the rural areas. A further evaluaton of employment generation through rural electrification since 1965 might be undertaken by the Programme Evaluation Organisation of the Planning Commission.'

Road construction

Inviting the attention of the government to the importance of the Road communications as an essential part of the infrastructure for socio-economic development, the committee says: "efforts should be made to adhere to the programme for completion of the construction of roads worked out in the Chief Engineers' Plan. In order to attain the total expenditure of Rs 3,920 crores on main roads as envisaged in that Plan, and taking into account the total estimated expenditure of Rs 1,520 crores till the end of the fourth Plan, it would be necessary to undertake a programme of the order of Rs 2,400 crores for the construction of such roads in the year up to 1980-81. We therefose, suggest that a suitably phased programme over the seven year period from 1974-75 to 1980-81 may be undertaken".

The committee has suggested for road construction an outlay of Rs 650 crores during the fifth Plan and Rs 780 crores during the sixth Plan. The committee has also emphasised the importanee of road transport.

Rural housing

As regards rural housing, the committee has said "apart from the provision of house sites for the landless labour in the rural areas, there is need for assisting the small and medium farmer and non-agricultural workers to improve their condition of living by constructing better houses. It is essential that a large-scale programme of construction of rural hoouses should be undertaken both by the centre and the state governments during the succeeding years. There should be a phased programme of constructing about 2.92 million houses in the rural areas involving a total cost of Rs 875 crores. Out of this amount a sum of the order of Rs 700 crores could be provided from their own resources by the persons constructing houses leaving a sum of the order of Rs 175 crores to be provided by way of loans from the LIC, the rural housing finance corporations, commercial banks, etc."

"It is desirable to plan for an increased level of house construction activities in the urban areas so as to prevent any deterioration of the position in this respect. We feel that the present rate of house construction in the rural areas should be stepped up substantially, say, by 40 per cent involving an additional outlay of the order of Rs 2,000 crores over the fifth Plan period. With this additional investment it should be reasonably feasible to construct about 1.35 million additional houses. We suggeet that out of of this total number, the construction of 0.75 million units may be undertaken in the public sector through the agency of the state housing boards, ete. In this sector the bulk of the provision should be for the economically weaker sections and the low income groups, i.e., 4 lakh units for the economically weaker sections and 3 lakh units for the low income groups. The remaining 0.6 million units may be expected to be put up by the individuals and others in the private sector. The total investmcnt for such a programme of 0.75 million units in the public sector may be of the order of Rs 800 crores, while the investment required for putting up 0.6 million units in the private sector would be of the order of Rs 1,200 crores."

Pointing out the problems

of proper implementation of Plan programmes the committee has said, "One of the problems hindering the proper implementation of the Plan programmes is the lack of foresight and care in the preparation and selection of projects before the outlays and targets are fixed by the planners."

Another major lacuna in the implementation of the Plan programme according to the committee is that the benefits of such programmes in general and even for the weaker sections of the community, do not generally accrue to them in full measure, but flow largely to the more influential and better-off sections of the community.

Weaker section

The committee is of the opinion that "the weaker sections should be encouraged and assisted to form at the local levels organisations which should be constituted entirely from amongst these weaker sections. They should be kept fully in the picture in the selection of schemes. The legally constituted democratic bodies should take special care to arrange for consultations with these organisations."

As regards the backward areas, the committee recommends that "in the case of priority industries and of industrial units in backward areas, the units should be permitted to create a special investment reserve fund by transferring to it upto 30 per cent of their pertax profits, to be utilised in priority industries or other specified types of investment or for investment in selected backward areas."

The committee also suggested that "an appropriate agency to promote development of backward areas would be a separate organisation to be set up in different areas, which may be called the Regional Development Corporation. Such corporations should be responsible for selecting suitable regions where growth centres could be established and developed. Such development could also be undertaken around the existing industrial complexes. These corporations could be entrusted with the task of co-ordinating the activities of various authorities concerned. They should play an active role in the preparation of area development plans and co-ordinate the efforts of the agencies concerned. In the initial period certain ancillary facilities may be provided by them. Although the role of these corporations is generally expected to be that of planning and promotion, they may themselvees play a direct entrepreneurial role for the removal of specific bottlenecks to area development."

"In order to assist the state governments to set up such regional development corporations, the government of India may consider providing some part of the seed capital, securing where necessary, the services of managerial and technical personnel and providing training facilities to them."

The committee holds the view that "industry should be encouraged to go in for double and triple-shift working not only from the point of view of increased production but also from the point of view of increased employment.

The existing provision in respect of depreciation allowance for the second and third shifts need to be reviewed for this purpose.

Industry should be encouraged to introduce multiple shift working by the grant of suitable fiscal and financial incentives with adequate safeguards to ensure that these benefits are properly linked to the increase in production and employment actually resulting from the additional shifts.

Fiscal measures

The committee has felt that the policy of giving tax concessions in respect of export of specific items of labour-intensive industries such as products of handloom, handicrafts etc., should be accepted and necessary fiscal, administrative and other measures taken in pursuance of this policy. Go vernment should consider the dossibility of offering facilities and concessions like credit to the prospective buyers abroad of our industrial machinery to improve the competitive position of our products.

The committee has suggested that "it is of importance that the question of providing some measure of insurance against loss of employment should be a given a high priority and the feasibility of the introduction of a scheme on the basis recommended by the National Commission on Labour be examined as a matter of urgency."

Considering the situation of labour surplus in the country and the high incidence of unemployment and underemplopment the committee felt that "wide prevalence of overtime working is socially undesirable, and recommends definite steps should be taken, in our view, to encourage the recruitment of new labour rather than the engagement of the existing labour on overtime work in the industrial and tertiary sectors. In our view it would be desirable to consider the suggestions relating to the reduction of the number of weekly working hours from 48 hours to 42 hours and the adoption of a seven-day week, after ascertaining the view of labour in this regard."

Employment of women

It is desirable to encourage the employment of women at least upto the level of which it has been prevailing hitherto by offering some incentives to those employers who maintain the ratio of women in their labour force at a prescribed level.

The committee also has pointed out that "It is necessary to restrict the growth of population effoctively, and for this purpose the adoption of a well-concerted and positive programme of population planning is very essential.

The national target of family planning provides, as mentioned in the fourth Plan document, for the reduction of birth rate to 25 per thousand by 1980-81. As a matter of fact we should think in terms of bringing down this rate to a still lower level as that around the end of the 1980's, the size of the population becomes stablised."

Agricultural sector

Dealing with the problems of unemployment in agriculture and allied activities, the committee has said "that the approach to the programmes of development for the rural areas must be employment-oriented for the next Plan period and should include a massive progrramme of rural works encompassing irrigation, soil conservation, land reclamation and rural roads,

The scope for expansion of minor irrigation in a number of states is quite large. Such works could be taken up over an area of 15 million hectares during the fifth Plan period.

In view of the employment potential during the construtions phase of the programmes of soil conservation and land reclamation, we recommend that programmes of soil conservation over an area of 15 million hectares, and land reclamation over 5 million hectares be undertaken during the fiifth Plan period.".

As regards the mechanisation of agriculture, the committee says "while we have no hesitation in suggesting programmes of energising tubewells and pump-sets through the extension of rurals electrification and of promoting the use of improved minor implements, we feel that the introduction of more sophisticated and highly mechanised equipment is likely to have considerable repercussion on the employment of labour on the farms and may in the long run lead to the displacement of labour on a sizeable scale. On the other hand, there is a keen demand from the farmers in some areas of the northern states for the use of sophisticated mechanised equipment to overcome the problems arising from the adoption of multiple cropping. In these circumstances we are of the view that a selective approach

needs to be adopted in this matter and that any indiscriminate extension of mechanisation needs to be effectively discouraged. For the purpose of determining the proper type and level of mechanisation suitable for the conditions prevailing in each region, more detailed studies should be undertaken in different regions of the country".

Low-rainfall areas

The committee has dealt with the problems of farmers in the low-rainfall areas and has suggested two programmes; "First, the techniques for conservation and economic use of available water and soil moisture, and second, the evolution of a suitable cropping pattern for the particular conditions in each area. We recommend that high priority should be given to the intensification of research for evolving suitable crop varieties and suitable cropping patterns in the low-rainfall areas. Additional programmes to provide supplementary sources of employment and income would also have to be thought of. These could include road construction, animal husbandry. setting up of small industries, etc."

The programme of extending milk production and dairying activities is eminently suited to serve the needs of the small and marginal farmers by providing them part-time occupation and supplenmetary income.

The committee has pointed out the fact that "somc studies have indicated that there is a wastage of nearly 30 per cent of the fruits and vegetables produced in the country while barely 0.5 per cent of the produce is processed by the processing units. It is therefore urged that greater importance therefore would Lave to be given to the promotion of processing industries in the producing areas. Organisational arrangements would also have to be made for the collection of fruits from farms, their transportation, storage and processing at convenjent centres as well as for their sale at competive prices."

Dealing with the aspects of employment in the industrial sector, ths committee says that "it may reasonably be inferred that the industrial sector as a whole provided additional employment of the order of 4 million only during the two decades from 1951 to 1970, comprising two million in the factory sector and two million in small establishments outside the factory sector. The growth of the factory sector has, however, indirectly generated substantial employment in the primary tertiary and sectors.

Industrial sector

Larger employment opportunities in industrial sector could be generated in the short-term by accelerating the rate of industrial growth through increased production from the existing unused capacities as well as through fresh production from new investiments. In the long-term the employment potential could be increased by reshaping the pattern and structure of industrial development. A reorientation of the industrial development programmes would call for accelerated development of the less capital-intensive small-scale industries as far as it is technologically feasible.

Further orientation towards employment could be given by developing selected industries for which the necessary expertise, resources, etc., are indigenously available.

Larger employment opportunities could also be generated by adopting the types of technologies suitable for our labour-abundant economy. Care should be taken to see that the modern type of technology is not imported without reference to Indian conditions. In the selection of technology or in the modernisation of industry the use of highly sophisticated or automated machinery should be discouraged,"

The dispersal of industries away from the metropolitan areas or other place of concentration is important from the point of view of the removal of regional imbalances and the wider diffusion of employment opportunities. It is necessary that suitable measures be taken to build up infrastructural facilities needed for industrial growth in less developed areas and to ensure that wherever possible industrial units are set up at locations away from the highly developed areas.

The locations of large industrial units in a backward area may not by itself generate significant employment unless a systematic attempt is made side by side to promote the setting up of a large number of ancillary units around a big industrial unit. We feel that the deve'opment of ancillary units should be regarded as an important instrument for the creation of new employment opportunities. It should be made obligatory for the bigger units both in the public and the private sectors to promote the development of ancillary industries by farming out the production of components, parts, sub-assemblies etc, to small-scale units.

Industrial relations

The expert committee is of the view that an improvement in industrial relations would also contributc to better utilisation of installed capacity. One of the factors affecting industrial relations in the past has been the erosion of real wages through a steep rise in price. It is, therefore, of vital importance to stabilise prices or at least to slow down their high rate of increase. Another step in this direction may be to link the wages with the price level and with productivity. The development of better human relations at all levels in industry would also be a contributing factor in the better utilisation of capacity and in increased production. No efforts should, therefore, be spared to bring about conditions conducive to more harmonious industrial relations. It is desirable that suitable working arrangements be devised in time to avoid situations leading to lock-outs., etc; as far as possible. and all efforts made to settle industrial disputes in an amicable and expeditious manner.

Utilisation of capacity

For fuller utilisation of installed capacity, government decided in January, 1972 to give a blanket permission to 54 (subsequently raised to 65) critical industries to expand and diversify their production upto 100 per cent above their licensed capacity. We would suggest that the question of allocating adequate raw materials to, and of relaxing the existing constraints, if any on the installation of necessary belancing equipment in respect of the units in such industries should be considered. We would further suggest that the question of extending this relaxation to other industries also should be considered.

The committee also has suggested that the detailed examination of the various regulations and controls which affect industrial growth should be undertaken as early as possible and that a new approach is warranted in the matter of administration of various regulations and controls pertaining to industrial development. The committee says "broadly speaking, the objective should be to retain physical control only in critical areas involving deployment of large and scarce resources and to reducc substantially the time-lags in securing clearances to a project from numerous agencies. We feel that a detailed examination of these aspects should be undertaken so as to evolve appropriate policies and procedures well in advance of the commencement of the fifth Plan."

"We recommend that industrial programmes in the large-scale sector should be eonfined by and large to those items in which there are compulsions of technology and scale, which have high employment linkage effects or where there is immediate need to augment the supply of mass consumption goods. The public sector also shouid participate in the production of

critical pnd mass consumption items. There is also need for a co-ordinated programme which closely integrates the small-scale units with the large-scale industries in terms of backward and forward linkages"

Stagnation in rural areas

As regards the stagnation of economies of the backward and rural areas, the committee points out "with a view to removing the stagnation from which the economies of the backward and rural areas suffer and providing opportunities for gainful employment to the people of these areas nearer their homes, it will be necessary to spread the establishment of industrial units in semi-urban and rural areas as also in the backward regions of states which are still undeveloped. In this con. nection we feel that in a case where an industrial licence is issued for setting up a unit in such areas, the entrepreneur should not normally be per. mitted to change its location to a large city or a more deve. loped area.

In order to create an impact on the development of the backward areas, the industries to be selected for being set up should be such as have an organic relationship with the economy and rcsources of the area and the necessary forward and backward linkages with other economic activities therein.

Institutions for providing consultancy and other services similar to those provided by the Kerala Industrial Technical Consultancy Organisation (KITCO) and the State Industrial and Investment Corporation of Maharashtra (SIICOM) should, in our view, be created for other backward areas also. We recommend, therefore, that the necessary institutional framework should be established for the provision of consultancy and other services to the small-scale sector in the backward areas of all the states."

As regards the role of village industries, the committee says "in view of the large scale employment being provided by the traditional village and cottage industries, we consider that institutional credit should be made available to them on liberal terms and on a more extensive scale, taking into account their requirements. We feel that the concerned agencies should also take up on a basis of urgency programmes for the improvement of skills, designs and production techniques in these industries. In the meantime, measures of fiscal support in their present form should be continued and extended to the industries not yet covered."

As regards the concept of decentralisation of industries, the committee says "It is felt that the basic concept of decentralisation of industries to the viliage and household levels and the creation of employment thereby should be extended to other industrial activities also instead of being confined to the traditional industries only. There is need, therefore, for an investigation as to how far some of the activities of the modern industrial sector could be decentralised to the village and household levels. A few pilot projects should be taken up thereafter."

Education and training

Dealing with the aspect of educated unemployment, the committee has said "The total number of educated job-seekers registered with the employment exchanges as on December 31, 1972 was 32.78 lakhs which constituted nearly 48 per cent of the total number of registered job-seekers. This number was increasing at the average annual rate of 20.1 per cent from December 1966 to December 1971 and has registered a futher increase of 42.8 per cent from the end of 1971 to the end of 1972. While the number of matriculate job-seekers has nearly tripled between 1966 and 1972, the number of under-graduate job-seekers has quadrupled and that of graduates has become six-fold during the same period.

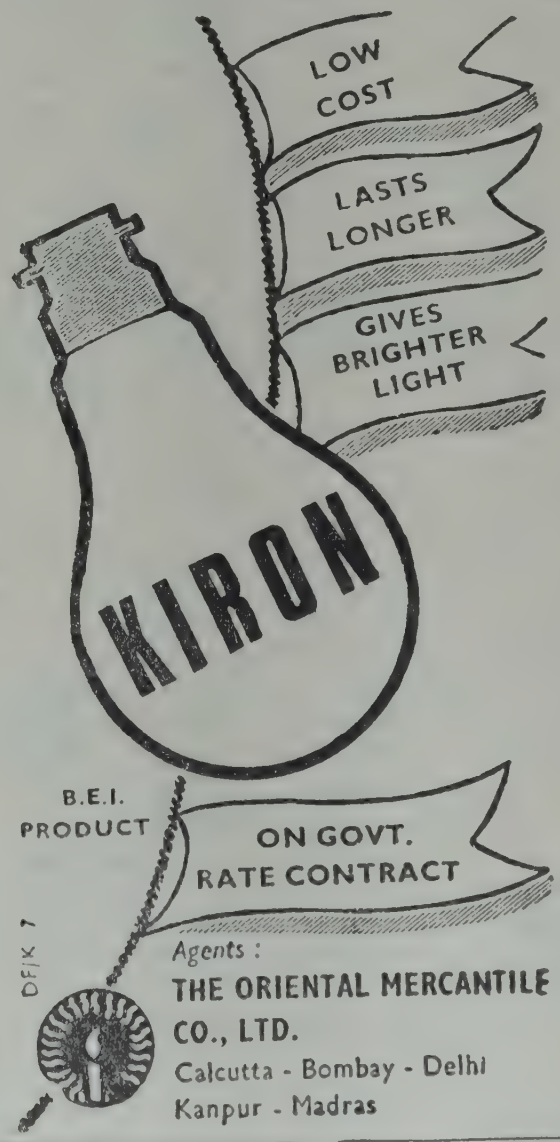
With the target of 5.5 per cent economic growth envisaged in the fifth Plan, the employment opportunities likely to be thrown up by the organised sector would fall short of the increasing supply of educated manpower. It would, therefore be necessary to promote the rapid growth of unorganised sector of the economy so as to create more job opportunities for the educated unemployed as also to foster same employment among them. For this the quality and content of the educational courses also need to be oriented so that the products of educational institutions are more employable and can fulfil be requirements of both the organised and unorganised sectors."

The committee also is of the view that the system of single-teacher schools should be reviewed and the existing single-teacher schools converted wherever possible in to multi-teacher schools. Besides improving the quality of education in such schools, this will offer more employment opportunities for teachers.

The committee has stressed that a phased programme of adult literacy should be undertaken so that within a period of 10 to 15 years illiteracy among adults could be practically removed from the country. The report says "To start with, it is suggested that suitably phased programme be prepared for the fifth Plan so that, at the annual rate of 10 million adults of the age group 15-44. at least 50 million sueh presons are covered. For making this programme a success, a comprehensive follow-up programme for the supply of literature and the establishment and maintenance of libraries for the neo-literates would also have to be initiated. During the fifth Plan, the total expenditure on this programme is estimated to be of the order of Rs 100 crores.

New avenues

Pointing out the need to tap the unorganised sector of the economy for absorbing educated personnel, the committee says "There is a need to tap the unorganised



sector of the economy, where a great potential now exists for absorbing educated personnel. Suitable training and oricentation programmes may be drawn up in each area for the local talent among the educated unemployed. With the introduction of new techniques in agriculture, the scope for opening new labour-intensive industries, repair and maintenance workshops, shops, retail centres, etc., has widened. Such entreproneurship should be encouraged by the government through the provision of financial and other facilities.

The state government should take the initiative in fostering and encouraging self-employment among engineers, technicians and the educated unemployed so that they may take advantage of the scheme of the ministry of Industrial Development for providing financial assistance for the opening of small industries. It is suggested that the original objective of this scheme to provide encouragement and financial assistance to the educated unemployed may be kept in view and non-technical educated persons also may be encouraged and assisted to set up as self-employed presons in suitable industries."

Short-term measures

A few short-term measures that can help in easing the the problems of the educated unemployed have been mentioned. These are :

(i) government should consider the need for some form of legislation which would ensure that every industry employs a number of engineers and techinicans determined on the basis of its scale of production and taking in to consideration factors such as manufacturing capacity, technical processes employed, total number of workers, etc.

(ii) We feel that instructions requiring the appointment of qualified engineers by the contractors undertaking works for government departments and also prescribing the number of such engineers, should exist in all the states. These instructions would need to be enforced effectively. It would be still better if qualified engineers are encouraged to take up government works, contracts either individnally or on a co-operative basis.

(iii) Planning units for preparing the engineering designs and projects reports may be created in appropriate departments, where these are not in existence."

Vocational education

As regards the vocationalisation of the education the committee says: "While general education with a programme of work-experience may be allowed upto the tenth class, education in the higher classes, should be made vocational in character by introducing diversified job-oriented courses. We are strongly of the view that a stage has been reached when the pace of vocationalisation of secondary education has to be speeded up with a view to attaining the target set by the Education Commission of diverting 50 per cent of students at the higher secondary stage, i.e., classes XI and XII, to vocational education.

"We strongly recommend that steps should be taken to bring about a transformation in the existing social milieu, norms and standards so that more young people are encouraged to go in for training for jobs and occupations involving manual work. Besides other measures, we suggest that scholarships and other concessions should be provided in schools to students taking up vocational education, and better emoluments and working conditions prescribed for jobs and occupations involving manual work. We are of the opinion that a lead in this matter should be taken by the public sector."

The committee also has suggested that anumber of measures could be adopted "to moderate the pace of expansion of higher education by providing alternative avenues for a number of students. Firstly, an extensive programme of vocationalisation should be adopted at the higher seconday stage. Secondly, it should be ensured that adeqnate standards are maintained in institutions at the secondary stage and that the public examination at the end of the higher secondary stage is of a resonable and uniform standard. Thirdly, higher education also should be diversified so as to provide for vocational and professional courses both at undergraduate post-graduate levels.

While these measures should, to some extent, be helpful, a long-term remedy to the problem would lie in accelerating the economic development of the country and the all-round growth of the economy in general with the conscious and deliberate objective of employment generation."

Commission on employment

The expert committee on unemployment has recommended the setting up of a National Commission on Employment and Manpower Planning with persons having wide knowledge and experience in fields of labour and employment, statistics and economic analysis, of agriculture and industrial economics, education and social sciences and public finance and resources planning.

The proposed commission on Employment and Manpower Planning should have adequate authority and professional competence so as to make a comprehensive assessment of the employment and manpower situation in all its agencies and to be able to advise on the technical and policy measures necessary for tackling the situation.

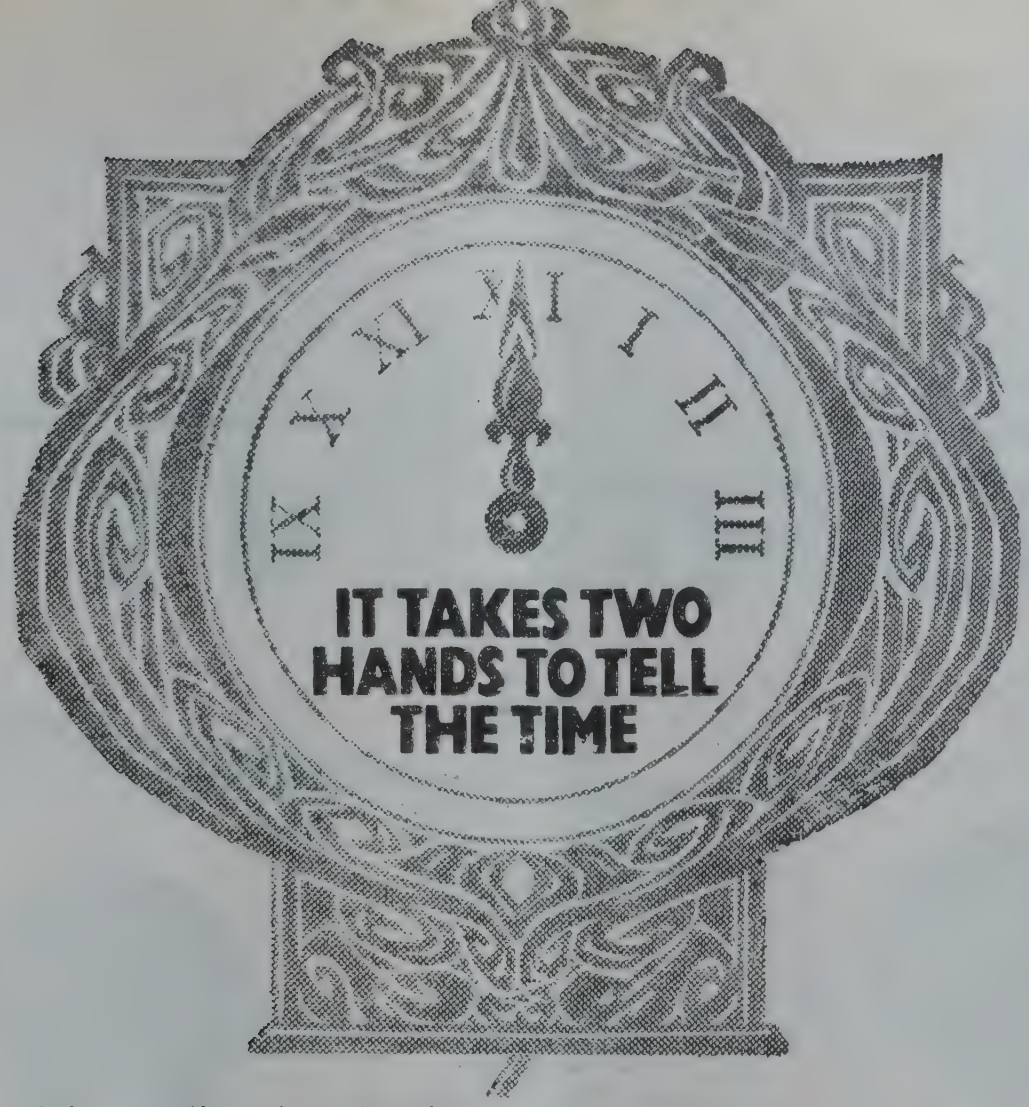
The expert committee feels that at national level an agency like Department of Employment and Manpower Planning should be created by merging the Directorate General of Employment & Training in the ministry of Labour and the Employment and Manpower cell in the cabinet secretariat. This department should have a number of divisions or sections like manpower budgeting and forecasting, development of employment services, employment market information, surveys and studies, statistics, occupation and job analysis, formulation and promotion of programmes of employment generation and monitoring specific developments which are likely to lead to large scale unemployment. This department of Employment and Manpower Planning would have executive and co-ordinating-cum-advisory units.

National problem

The committee also feels that in view of the vital importance of the problem of unemployment from the national point of view it would be appropriate if Parliament is more closely and continuously assoiated with the programmes and policies of government for dealing with this problem and is kept apprised of the developments in regard to the employment situation from time to time. For this purpose we would suggest the Parliament may consider the desirability of consituting a committee somewhat on the lines of its existing financial committees like the Public Accounts Committee and the committees on Estimates. The proposed department of Employment and Manpower Planning as well as the National Commission should submit periodical reports to this parliamentary committee on the employment situation in the country in general.

The committee also feels that the appraisal of the employment, unemployment and under-employment situation in the country would remain incomplete unless the important sector of self-employment is monitored meaningfully and effectively.

The appraisal of the development process with regard to employment and manpower situation can be conceived through continuous review under the Plan programmes but also of the various other developments effecting the socio-economic situation in the country. Along with this continuous appraisal of the changing employment and manpower situation and assessment of long-term demand and supply should also be kept in view.



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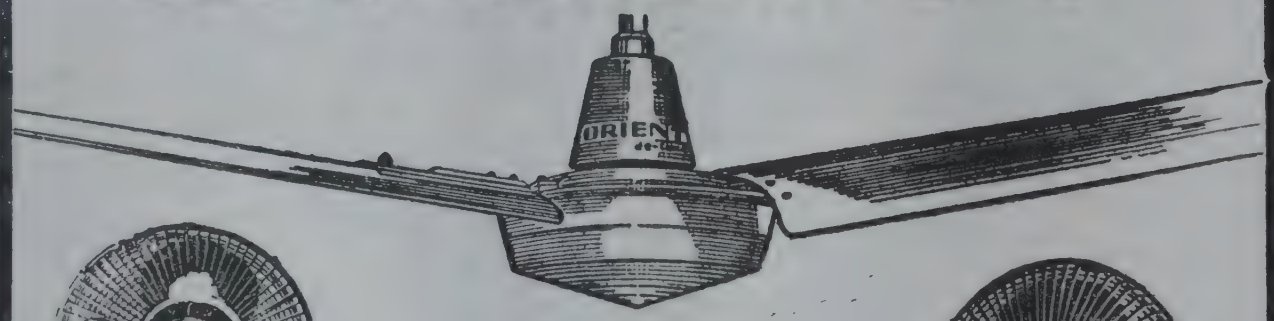
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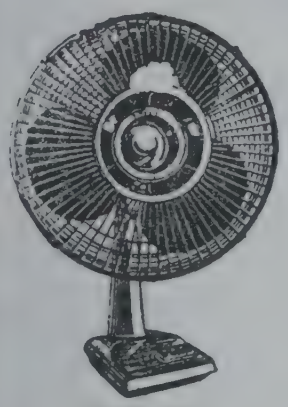
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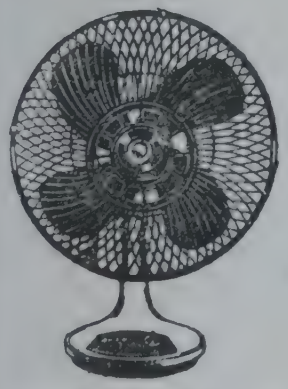
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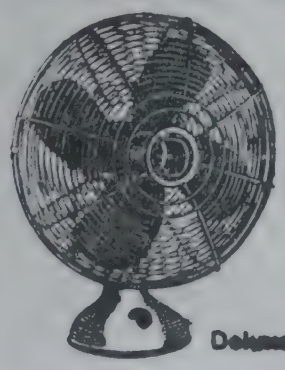
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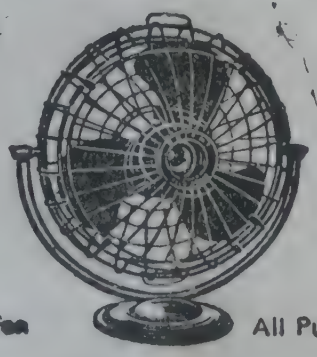


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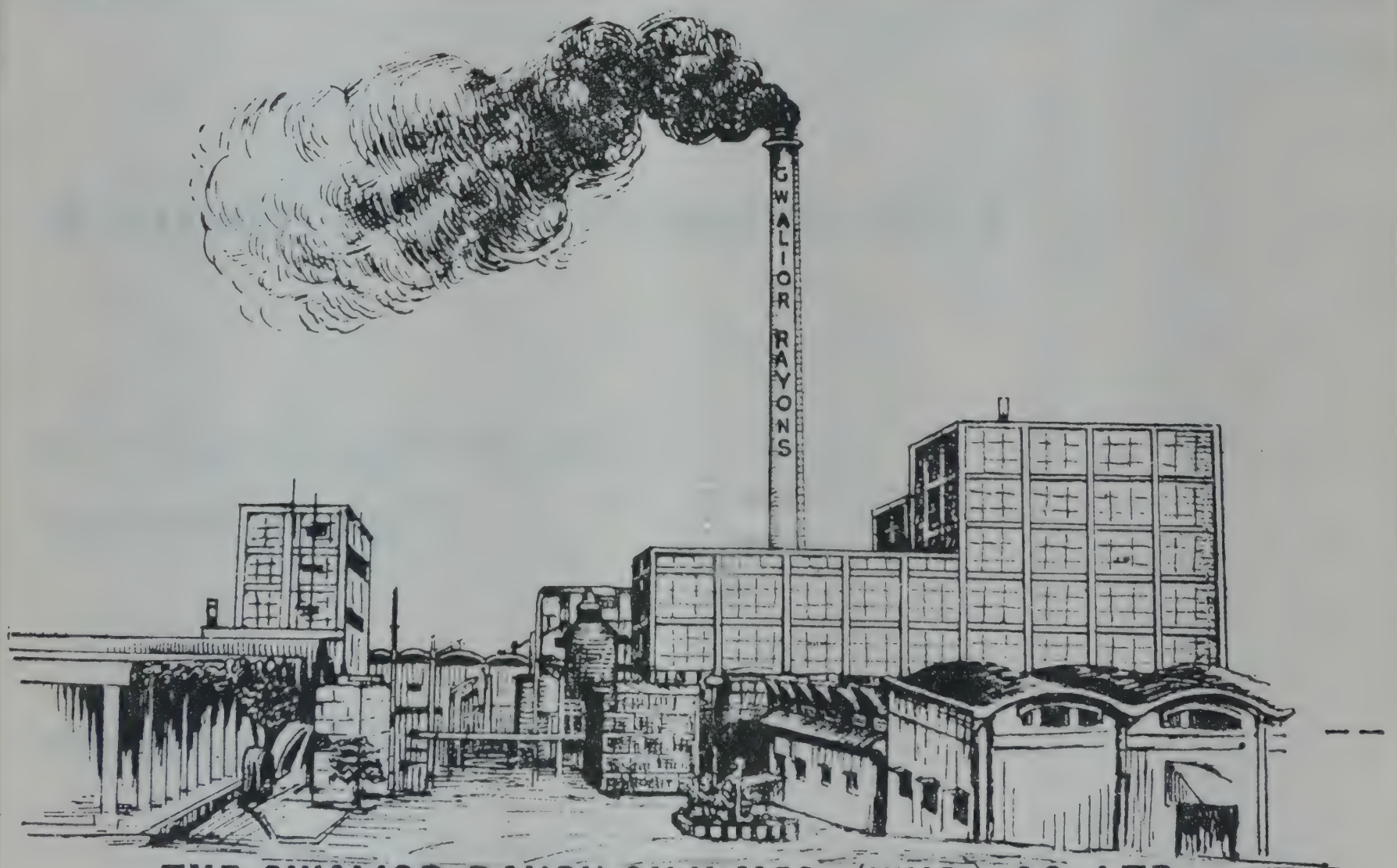
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Government by gimmick

THE SUDDEN death of Mohan Kumaramangalam in a tragic air crash, which claimed 47 lives besides his, has served to emphasize once again the failure of Mrs Indira Gandhi to build a strong and solid team of ministers at the centre. In a group composed generally of mediocrities or worse Kumaramangalam shone as much by contrast as by his own intrinsic abilities. Among colleagues many of whom were 'yes-men' or opportunists, he stood out by displaying dedication, worthy, no doubt, of a better cause than he had exposed, but which was nevertheless dedication deserving of emulation.

In public affairs the path of duty for the commentator does not always lie in the direction of honouring the convention (if there is one) that one should not speak ill of the dead. In the period he was a close counsellor of the prime minister or a member of her cabinet, Mohan Kumaramangalam certainly gave to the political functioning of the government a twist which even the prime minister's own style of ruling did not fully justify and, in the area of the economic affairs of the nation, he took or caused the prime minister to take many decisions which were as liable to be disastrous to the permanent interests of the country as they were damaging in their immediate consequences. It is of course a pity that such men of more than average ability whom Mrs Gandhi could find to surround herself with, should so often have been lacking in one respect or the other or undesirable in some ways, but it is also the harsh reality that the passing of any of these individuals does underline the aching void in the intellectual quality of the council of ministers at the centre.

As it is, once the names of a few ministers such as Mr Jagjivan Ram, Mr D.P. Dhar, Mr C. Subramaniam and Mr T.A. Pai have been mentioned, the list of senior cabinet ministers of competence seems to exhaust itself. In the Defence minister, the central government certainly has its most experienced and versatile administrator. Unfortunately, he and the prime minister do not seem to be on the same political wavelength and this has quite effectively deprived the country of the full benefit of Mr Jagjivan Ram's abilities.

That Mr Fakhruddin Ali Ahmed should be a liability to the government is of course no new thing. His years in the ministry of Industrial Development were verily years of the locust, while currently his inept handling of the Food portfolio has emphasized the harm that is being done to the country by the prime minister's misplaced loyalty to a sponging colleague. Gratitude, rather than loyalty, is perhaps the sentiment involved in the prime minister's official attitude towards Mr Y.B. Chavan who had stood by her in his own unique way at the time of the 'great split' and has continued to do so since. Beyond provoking an unedifying controversy between the Reserve Bank and his ministry over the relative roles of fiscal and monetary disciplines, he has done practically nothing to gain for the government's economic policy any kind of a grip over the accelerating inflationary pressures. Surely a Finance minister, so demonstrably seen to be without the intellectual or administrative energy needed to cope with the responsibilities of his office, could have managed to stay on at his post only because the prime minister herself is equally helpless where the restructuring of her cabinet is involved.

In the circumstances, the *ad hoc* arrangement by which Mrs Gandhi has decided to look after the portfolios of Mohan Kumaramanglam for the time being has to be considered as additional evidence of her being chronically unprepared for improving even here and there the quality of her cabinet as occasion arises. It may be argued that a promising and relatively young minister such as Professor Chattopadhyaya is already trying to do a good job at the ministry of Commerce and should therefore not be shifted or otherwise disturbed. But is there any reason at all why the independent charge of a major portfolio should continue to be withheld from a minister of the qualities of, say, Mr K.C. Pant? If Mrs Gandhi imagines that the Steel ministry could run itself, thanks to SAIL, she would be deceiving herself, for Kumaramangalam's pirating of the concept of the "holding company" was, from the start, a political gimmick. In an interview which she gave some time ago to a rather well-known Italian journalist, Miss Oriana Fallaci, Mrs Gandhi, speaking of her late husband's matrimonial situation, said that "it was not an easy life for him either." As the prime minister of this country, Mrs Gandhi has not made life easy for its people either. She should therefore at least rule out any further government by gimmick.

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Lingering losses in public sector

A SIZEABLE number of industrial and commercial undertakings of the central government have not learnt to be efficient even after more than a decade of experience. This has been revealed in the annual report of these undertakings for 1971-72 which has been prepared by the Bureau of Public Enterprises (ministry of Finance) and a summary of which has been published on pages 1164a to 1170 of this issue.

The net loss of all the undertakings under central control was Rs 14.42 crores in the year under report. Since the total investment in these undertakings was estimated to be Rs 5052 crores as on March 31, 1972, it implied that a big share of the savings of the people collected during the last 20 years had been invested in ventures which had become—when considered together—a drag on the economy. In the private sector, investment of this order would have earned a profit of a minimum of Rs 400 crores which would have been instrumental in accelerating the growth of the industrial and commercial sectors. It would have done away with the need for further taxing the people for the expansion of the activities of these units.

The investment in the public sector increased at a galloping rate after a decision had been taken by the government at the commencement of the second five-year Plan period that the foundations of industrial development in this country would be both widened and deepened through the extension of the boundaries of the public sector. From an investment of Rs 81 crores only at the beginning of the second five-year Plan period, it has increased 61-fold in 16 years. And one of the foremost arguments advanced in favour of its extension was the desire of the government to earn profits so that a large share of the investment programme of the government could be supported by its own income. Even though investment in the public sector undertakings has not thrown up the much-needed surpluses for expansion, the government continues to pursue the same old policy without regard to consequences. It has now become amply clear that the onward march of the economy has been permanently retarded through a policy of injudicious investment and bad management.

A majority of the public sector undertakings are well past their gestation periods. Only seven of them—the largest being Bokaro Steel Ltd—are under construction. The total investment in them at the end of 1971-72 was Rs 773.54 crores. Surely, no return on this investment could be expected. But it was inefficient management of 35 enterprises, led by Hindustan Steel Ltd (HSL), which more than wiped out the total net profit of 58 of them which were not in the red. The net loss of HSL alone in 1971-72 was as high as Rs 45.63 crores. Another group of 22 undertakings, both industrial and manufacturing, sustained a loss of Rs 62.90 crores, the largest being in the case of the Heavy Engineering Corporation Ltd at Rs 14.85 crores. Among the commercial undertakings, Indian Airlines incurred the heaviest loss of Rs 5.1 crores.

Among the moneyspinners in the public sector, the petroleum companies topped the list with a total of Rs 49.87 crores; Indian Oil Corporation Ltd. made the largest contribution at Rs 29.97 crores. The industrial and commercial concerns—26 in number—won over the second rank with a total net profit of Rs 26.89 crores, Hindustan Aeronautics being the leader (profit Rs 4.78 crores). The seven trading corporations yielded a profit of Rs 10.70 crores, bulk of which came from the State Trading Corporation of India Ltd. (Rs 4.65 crores) and the Minerals and Metals Trading Corporations of India Ltd (Rs 4.47 crores). Both of them were able to present more-than-comfortable balance sheets because of increasing canalisation of imports and the monopolistic position that they enjoyed in this regard.

As far back as 1956, Mr Eugene Black, the then President of the World Bank, had stated in a letter to the government of India that "India's interest lies in giving private enterprise, both foreign and Indian, encouragement to make its maximum contribution to the development of the economy particularly in the industrial field". Mr T.T. Krishnamachari, the then Finance minister, had in his reply listed a number of points in favour of the public sector and had also made the tall claim that "the short experience we have had with state enterprise leads us to believe that they can often be more efficient than private units". The performance of the public sector has, on the other hand, turned out to be extremely disappointing. It is the private sector which has not only justified its existence but has also thrown up surpluses for the benefit of the economy..

A study of the private corporate sector by the Department of Statistics of the Reserve Bank of India has shown that in 1970-71, 1501 companies with a total capital employed at Rs 6,439 crores had yielded a gross profit of Rs 666 crores out of which Rs 198 crores had been employed for interest payments and Rs 215 crores for taxation. Out of the balance of Rs 254 crores, dividends absorbed Rs 144 crores while a sum of Rs 109 crores was retained for further expansion. Surely, if the investment in the public sector had turned out to be half as efficient, the economy would have received a big push forward.

The public sector undertakings in this country were set up to show to the private sector how industry should be run. For the employees, these undertakings tried to prove themselves as ideal employers. Consequently, dispro-

Eastern Economist 30 Years Ago

JUNE 4, 1943

The importance of Indian agriculture has always been recognized for two facts (1) that nearly three-fourths of the people are directly employed or dependent on agricultural and pastoral pursuits and (2) in the production and supply of raw materials to the world's industries, India has been one of the foremost countries. In the post war world with a carefully planned agricultural economy it may become possible for her to occupy even the first rank if she cares to. But the internal needs of her teeming millions set a limit to her capacity for export as she must be self-sufficient in regard to her foodstuffs. A poor country like India cannot afford to place herself at the mercy of foreign countries for her essential food products. Of the total of nearly 267 million acres brought under the plough in British India annually, 217 million acres account for food crops. Besides, the official statistics mention an extent of about 150 million acres as 'cultivable waste' which have not yet been brought under cultivation while an equal area is classified as land wholly unfit for cultivation. The reclamation of this vast area cannot be achieved by individual enterprise, the expenses being beyond the means of the middle classes. The Government should encourage colonization and provide expert agricultural advice.

portionately high expenditure was claimed by townships and other social overheads. The report under review states that but for the charges of township maintenance and social overheads which claimed Rs 32.5 crores, the public sector undertakings would have shown a net profit of Rs 13.5 crores. But the moot question is: how can even this order of profit be claimed as an achievement when the capital invested exceeds Rs 5,000 crores? It is not the expenditure on townships or social overheads which is hurting the performance of these undertakings. In fact, it is their mismanagement which has put them in a financial mess. It is a well-known fact that traditional government departments are hardly suitable for running industrial and commercial undertakings. That is why all new units in the public sector were put under the charge of independent managers in new set-ups but in actual practice they have proved to be no more than extensions of the government departments. The latest concept of a "holding company" is a fresh attempt to instil business-like management in the public sector but there are already indications that it might prove to be no more than an abortive innovation.

Killing two birds with one stone

IN VIEW of our rapidly increasing requirements of food and agricultural raw materials, it is imperative that the efforts at modernising our farming practices are pursued relentlessly. Besides extending the area under irrigation so that the impact of the vagaries of monsoons can be mitigated, it is necessary that increased resort is taken to mechanisation of our farming methods and use of improved varieties of seeds, fertilizers and pesticides.

The application of irrigation, fertilisers and plant protection measures and the growing of high-yielding varieties of seeds are neutral to the size of holdings. But that is not the case with the use of tractors, power-tillers, sowing drills and threshing equipment. For mechanisation on individual farmer basis, the size of holdings has to be fairly large. This is owing to the fact that a good deal of investment is required for the purchase of mechanical means of production.

The recent scaling down of the ceilings on farm holdings can be expected to slow down the mechanisation of farm operations unless steps are taken to popularise custom hiring of equipment. Although various state governments and co-operatives of agriculturists have been engaged in this task for quite some time, the progress hitherto has left much to be desired. The more affluent among the farming community as well have been hiring out their equipment when not needed by them. This operation too, however, has so far been on a limited scale.

There is, thus, need for augmenting these facilities. With this end in view and also with the objective of encouraging unemployed engineering graduates, diploma-holders and technicians to become self-employed, the union government launched a scheme last year to assist the establishment of agro-service centres through the length and breadth of the country. The progress of this scheme came up for review at a seminar held here early last month. As the deliberations of this seminar revealed, the scheme needs to be streamlined a great deal so as to make it effective.

The most important question on which thought has to be bestowed is whether agro-service centres should be asked to provide facilities for hiring out farm equipment only or they should also be granted dealerships for the distribution of various farm inputs and spares of agricultural equipment. In view of the fact that farming operations cannot keep engaged agro-service centres for more than a few months in a year if they have to depend on providing custom hiring facilities only, provision of some work for them in the lean periods is essential. Entrusting the work of distribution of various farm inputs to them should, indeed, be helpful in this regard. Further, it should make these centres viable and enable agriculturists to buy essential input under one roof. But care obviously has to be taken that the basic purpose of setting up agro-service centres, namely, custom hiring of costly farm equipment, is not lost sight of and that it does not become just a secondary function of theirs.

The entrepreneurs setting up these centres ought to be provided intensive training in farming methods. Unless they have a practical experience in the field, they would not be able to assist the farming community in acquiring knowledge about modern farm techniques. If the task of distribution of essential farm inputs has to be entrusted to them, they should be made well conversant with the problems of application of fertilisers, pesticides, etc. This is because the farming community will not only need supplies of these inputs from agro-service centres, but shall also require technical guidance from them. Organising of agro-service centres on co-operative basis, thus, would be more appropriate than on individual entrepreneur basis.

The agro-service centres which have been set up already also face various other problems. These include insufficient finances, the difficulties of procuring the right types of equipment in adequate quantities, undue competition from governmental agencies in some states, etc. The nationalised banks, no doubt, are lending a helping hand in financing these centres, but their terms of lending leave much to be desired. The suggestion thrown up at the seminar that the burden of the repayment of the loans granted to agro-service centres should be kept moderate in the initial stages, to be stepped up after two or three years, deserves sympathetic consideration by the authorities concerned.

Similarly, there is a good deal of weight in the recommendation of the seminar that agro-service centres should be enabled to have at least two sets of farm equipment so that they can render effective and expeditious service to their clients. This will require raising of the limits for financial assistance. The equipment also ought to be suitable for the area of operation of an agro-service centre. Burdening all centres with standardised equipment is not appropriate.

Undue competition from governmental agencies in the field arises from the fact that the state agro-service centres, which were established several years ago, were able to secure farm equipment at cheaper rates than is the case with the new centres which are being encouraged in the private sector. As this is a pioneering activity, a suitable subsidy to the new centres to enable them compete on equal terms with the old governmental centres, which enjoy various other facilities as well in the form of preferential supplies of scarce farm inputs, should not be unwarranted.

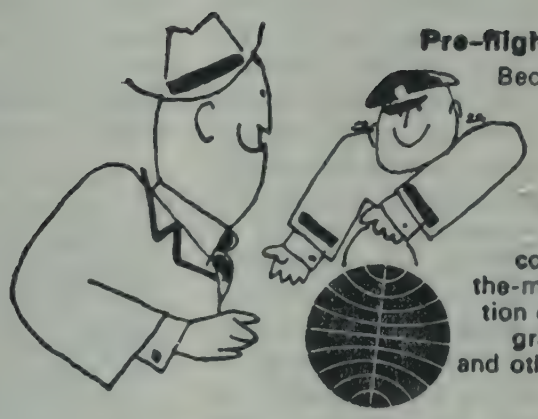
In view of the aversion of the city-bred to settling down in villages, it will be appropriate if the entrepreneurs desiring to set up agro-service centres are selected more from among those who have agricultural or at least rural background. There is also need for putting agro-service centres on par with individual farmers in so far as such taxes as the road tax for tractors are concerned. The tractor-owning farmers in most states are not charged any road tax for their equipment, while agro-service centres are not exempted from this tax.

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Confused responses

Sagittarius

THE MONETARY authorities have never felt so confused as they are now when formulating measures for containing inflationary pressures and preventing undue credit expansion. The alarming rise in prices by over 20 per cent in a year and an increase in the money supply with the public by 16 per cent have unnerved the Governor of the Reserve Bank and it was announced on May 30, 1973, that the bank rate would be raised to seven per cent from six per cent and that there would also be an increase in the cash reserve ratio to five per cent from three per cent. The net liquidity ratio for borrowing purposes has also been automatically raised to 39 per cent. The refinance facilities too have been made more costly, a rate of seven per cent being applicable to the first slab with a maximum rising to 12 per cent. There will of course be no increase in the cost of refinance facilities against loans granted to borrowers in the priority sectors for export purposes, and other specified categories. The minimum lending rate has also been fixed at 10 per cent and any adjustment in the interest rate applicable for procurement purposes is to be effected in consultation with the Reserve Bank.

obvious intentions

The intention of the Reserve Bank is obviously to impound about Rs 200 crores of the resources of the scheduled commercial banks before the end of June in order to prevent the lending institutions from granting liberal credit to their constituents. It is also expected that there will be an indirect compulsion on member banks to be circumspect when making available fresh credit as with borrowings from the central banking institution already at Rs 108.13 crores on May 25 any net increase in advances will not be remunerative especially if it becomes necessary to reduce the net liquidity ratio to below 39 per cent. The impounded cash balances in excess of three per cent will bear an interest rate of only 4.75 per cent.

The theoretical approach to the whole problem of curbing inflation has been rightly conceived. But can it be really contended that these measures will be effective within the proposed framework and that dearer money rates will have an impact even if strictly applied in the absence of better discipline when incurring Plan and non-Plan expenditure on the part of the central and state governments?

accentuating factors

The increase in money supply with the public by 16 per cent against a growth in national income by less than three per the cent has certainly led to an accentuation of inflationary pressures especially as there has been a serious shortfall in the output of food and some cash crops and an acute power shortage also has had an inhibiting effect on industrial production. It is not correct to say however that the growth in money supply has come about only with deficit financing on a large scale in the past two years. While it may be said that the additions to deposits of the scheduled commercial banks have been aided by deficit financing on a large scale the process of monetisation of the economy also has been responsible for a faster growth of bank deposits. In the past two years alone the increase in the resources of banks has been more than Rs 2,500 crores and the availability of this large sum has enabled the central and state governments and public bodies to borrow record net amounts and yet expand credit on an unprecedental scale for use by industrial units in the private sector, government undertakings, state electricity boards, , municipalities and others.

The central government has been resorting to deficit financing in spite of a massive effort to mobilise resources through taxes and open market loans. The budgetary total on revenue and capital accounts has swollen in the process and it should be said that the spending of huge amounts for Plan and non-Plan purposes when there was a shortage of physical resource had resulted in galloping inflation. The central government has also adopted some clever techniques for raising additional resources by asking the Food Corporation to return the sums lent by the former and encouraging also government undertakings to seek commercial credit for working capital and even term loans for financing fixed assets. As at the same time commercial banks were anxious to lend liberally to industrial units in the private sector, the increase in advances of scheduled commercial banks in a little over seven months has been as much as Rs 1,000 crores. It has not been clearly explained so far how this unprecedented expansion has taken place especially as this trend was in evidence even in March when the Reserve Bank reviewed its credit policy for the last busy season. Surely, it cannot be said that the Reserve Bank was unaware of the new trends in advances as it was stated that even sanctions of loans to government undertakings and state electricity boards above one crore of rupees should not be made without the prior concurrence of the Reserve Bank.

bank curbs too late ?

Can it therefore be said that the Reserve Bank had not assessed the situation properly and had imposed new curbs rather too late? And what is the guarantee that these curbs will be effective even if they are strictly applied? The answers to these questions cannot be definitely in the affirmative particularly as the impression is gaining ground that the higher bank rate will not have the necessary discouraging effect on borrowing and spending by the central and state governments. The higher minimum lending rate of 10 per cent will certainly affect government undertakings. The government may also be obliged to bear heavy interest charges if procurement operations also become more costly. But government undertakings may not be greatly affected except to the extent of the increase in interest charges as the readjustment to the new situation has been completed. Industrial units in the private sector too may not be greatly upset except where the selling prices for their products are controlled. In an economy facing many shortages, any increase in costs can always be passed on to the consumer in the absence of new restrictions.

The banking system has not reacted to new developments in a panicky manner as only the adjustments in interest rates where they were below the minimum of 10 per cent have been effected and there may be only small rises in interest rates affecting constituents who are already paying above 10 per cent but below 12 per cent.

The commercial banks will not be in a position to dictate their terms as there may not be a shortage of resources even with a higher reserve ratio and a tightening of refinance facilities. The recent heady expansion of credit by itself has provided a large cushion. This is because there may be a decline in inventories once industrial production picks up with an easier power situation. The pace of procurement also is not proceeding as briskly as was expected earlier.

With the prospect of fresh additions to deposits of over Rs 900 crores up to the end of November from the beginning of June and a contraction in advances of at least Rs 300 crores, the scheduled commercial banks can easily mobilise about Rs 200 crores immediately for complying with the higher cash reserve ratio and another Rs 45 crores in respect of additional deposits. The fresh stages of the borrowing programme of the centre will probably call for an outgo of Rs 300 crores by way of subscriptions to new loans while the state governments and public bodies will need for their part about Rs 300 crores. The aggregate amount under these heads will thus be not more than Rs 900 crores. Even assuming that fresh imports of foodgrains will be financed by the banking system there will be no need for using refinance facilities to any great extent.

In these circumstances what is needed is greater financial discipline on the part of the central and state governments and even the fixation of fiduciary limit for spending. The absence of restrictions in this regard have been responsible for the spending spree witnessed in recent years. There will also have to be stiffer margins for government undertakings and for industrial units in the private sector in directions where there are pronounced shortages. It may besides be stipulated that the interest rate on loans should be raised suitably and not marginally as now contemplated and that the profits of the Reserve Bank arising out of fresh deficit financing should not be made available to the central government. These monetary measures by themselves cannot yield the desired results unless there is also a big increase in agricultural and industrial production. There should be strict limits to non-Plan expenditure besides paying special attention to the implementation of power and irrigation projects. As there will be no shortage of financial resources with increasing monetisation of the economy and a stable agricultural sector, the central and state governments should bestow special attention to the elimination of the weaknesses in the economy and not pursue merely ideological policies. The Reserve Bank's latest measures are mainly in the nature of a warning to the central and state governments and it will be idle to pretend that the inflationary situation can be brought under control without a constructive approach to outstanding economic issues.

International tea regulation

S. Manoharan

THE FAILURE of demand to rise sufficiently in the major tea importing countries to consume increased production exerted a downward pressure on world prices at the London auction. The declining trend in the world tea prices had a big impact on internal prices of Sri Lanka tea. The sluggish growth in demand depressed the unit value of world tea exports as is illustrated by Table I

We find that the declining trend in the London auction has affected the Colombo prices and has not affected the prices of Indian tea at all. As a matter of fact between 1956 and 1969the Calcutta price has improved by 12 per cent.

This is due to the fact that the increased domestic consumption in India played a stabilising role in maintaining internal prices of Indian tea which sustained the price level. India's increased bilateral trade with east European countries also contributed to a certain extent in maintaining the price level. Sri Lanka does not have the advantages of either. On the other hand, for the purposes of balance of payments, it has to maintain the quantity of tea exports, since tea accounts for the major share in its total export earnings.

TABLE I

Tea Prices at Various Auctions

Year	London	Colombo	Calcutta
	(In pence per lb.)	(Rs per kg.)	(Rs per kg.)
1956	58.0	4.76	5.01
1961	52.9	4.25	4.65
1962	53.4	4.10	5.15
1963	50.7	3.88	5.03
1964	51.5	3.90	4.88
1965	50.2	4.03	5.29
1966	48.9	3.62	5.56
1967	49.8	3.48	5.58
1968	47.4	4.03	5.32
1969	44.1	3.55	5.62

Source : *International Tea Committee and Tea Statistics*

If the London price, as tabulated above, is fitted in Linear Regression we get

$Y = 117.33 - 1.6 \times t$

with 1961 as the base.

We have seen that the unit value of tea is steadily falling. However coffee, another beverage with the same end use, has not suffered so much as tea. Table II gives the deflated wholesale prices of tea and coffee for the period between 1960 and 1970.

As the tea exports originate from developing countries, because of their perennial balance of payment difficulties and less diversified exports, they have given rise to the peculiar situation that in the face of falling prices, the quantity of tea that is exported has not curtailed; rather, in order to compensate the loss due to fall in the price, to that extent export has increased. Table III illustrates this.

Table III reveals that the world price for all grades of teas, originating from all the countries, has fallen considerably within a short span of time. This has caused a steep fall in the total value

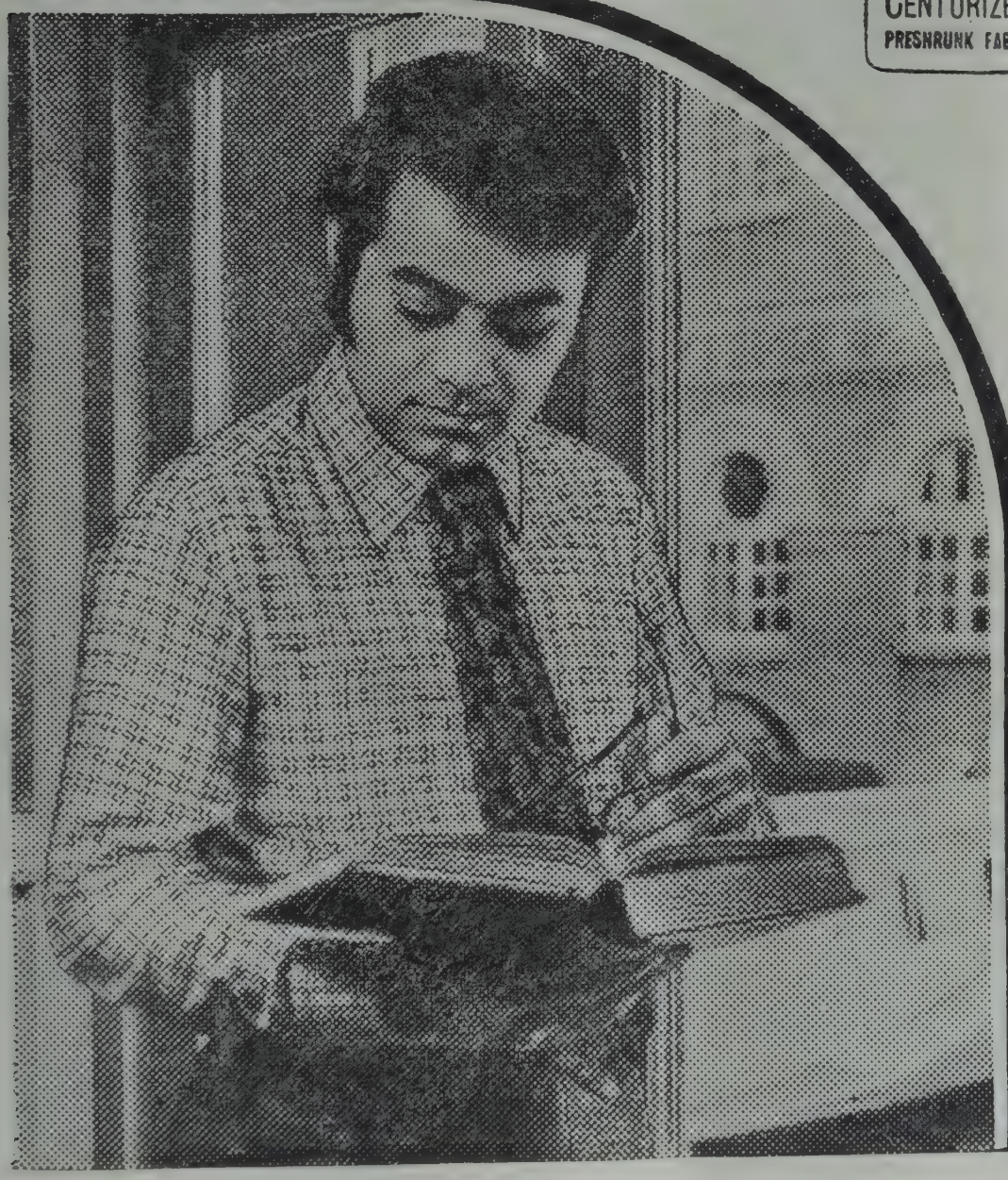
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of world export, though the traded volume registered a modest rise. From this it follows that the global volume of trade is not affected even by a fall in the price.

TABLE II

Deflated Wholesale Prices of Tea and Coffee—1960-70

(1959 Base Year)

Year	Tea	Coffee
1960	99	99
1961	94	97
1962	92	93
1963	84	93
1964	82	119
1965	76	113
1966	72	103
1967	74	93
1968	69	91
1969	64	94
1970	61	96

Notes : Tea price at the London auction for all tea. It is deflated by the UK cost of living index.

Coffee price of New York for all coffee. It is deflated by the US wholesale price index.

Source : Computed from FAO *Production Year Book* and *UN Monthly Bulletin of Statistics.*

different reactions

The reactions of three countries to the fall in price are different which can also explain their different stages of economic development. For example, Indian tea price suffered the worst setback and so it comparatively curtailed its volume, braving a great loss in the exchange earnings. This is because it has a sizeable domestic market, increasing bilateral trade agreements (under which about 46 per cent of total tea exports are made, and comparatively diversified exports. On the contrary, though Sri Lanka suffered a price setback, its volume has not contracted lest its loss in foreign exchange is further increased on two grounds—firstly loss due to fall in the price and secondly contracted volume consequent upon the fall in prices. East Africa, in order to earn the maximum foreign exchange, irrespective of the price situation, displays an insensitivity to price.

Changes in volume and prices tended not to move together but to offset each other. This compensatory price-quantity relationship of exports indicates the predominance of the supply factor.

From the foregoing analysis we find that there is a strong tendency of supply overstepping demand and also a declining trend in export earnings. As a matter of fact both are correlated. The declining trend in export earnings is a product of and perpetuated by excess supply. There is a vicious circle. When supply exceeds demand, price falls which causes a declining trend in export earnings. To alleviate the situation, what is called for is restricting the supply. But paradoxically what is done is precisely the opposite of it. The reaction of the producing countries to declining prices is an increase in output so as to reduce unit cost and retain the income level. The governments of the producing countries which are always in need of foreign exchange encourage expansion of production to nullify the effect of a price decline on foreign exchange earnings. These governments continue to encourage production and exports in spite of the fact that prices might be falling. Further, decisions on investment on tea industry are taken in the context of overall national development plans and are not influenced by price trends or the promise of increased export earnings. Thus we find that fall in the price, which is itself an effect of oversupply, further causes an increase in supply. Unless the supply is regulated to demand, there will be no improvement in the situation.

With this elaborate background, let us try to conceive a new and dynamic international tea trade agreement, befitting the developmental needs of tea producing countries. Such a concept should rest on two basic tenets : tea exporting countries are developing countries with a great need for foreign exchange and tea importing countries are developed countries and the demand for tea is price elastic. Commodity agreements, in future, should be instruments of transferring resources from the developed to the developing countries. If this is conceded, it can be argued that tea produced in the developing countries and consumed in the developed countries lends itself to such resource transfers, especially if the demand for it is price inelastic. Further, international tea agreements should not only be instruments of transferring resources from the developed to the developing countries but also should encourage the shift of scarce resources away from tea industry in the producing countries into other and possibly more productive avenues. In other words, by assuring a steady level of export earnings from tea, many tea producing countries can be pursuaded from further committing their resources in the tea industry. This would rationalise the resource allocations in the developing countries.

TABLE III

Price-Quantity Relationship of Exports

	Price London			Volume			Value		
	1962		1969	1962		1969	1962		1969
	Pence per kg.	Base	%	Million kg.	Base	%	Million $	Base	%
India	115.43	100	76	211.8	100	80	259.4	100	62
Sri Lanka	123.30	100	86	204.9	100	98	241.1	100	74
East Africa	102.35	100	86	37.2	100	201	26.7	100	241
World	118.61	100	92	565.6	100	102	577.1	100	75

Calculated from *International Tea Committee Bulletin*

Need for a different farm policy

G D. Madiman

AGRICULTURE is the occupation of over 70 per cent of India's population. It is a way of life with our farmers, unlike the people of the United States of America, for whom it is a business proposition. For the Americans, it is not simply agriculture, but it is 'Agribusiness'. It is not a simple art or science of cultivating land but is one link in the long chain of feeding and clothing the people. The chain begins many jobs before it reaches the farm and continues several processes after the agricultural produce leaves the farm. This complex function of agricultural production and distribution is known by the term "Agribusiness".

Agriculture the world over has undergone three great revolutions.

(i) The first came in mid-19th century when animal energy was substituted by human energy.

(ii) The second came around 1920's when the mechanical energy replaced animal energy, with increased commercialisation of agriculture.

(iii) The third revolution came in 1950's with scientific breakthrough by way of specialisation in production and marketing functions at all levels.

In our country, unfortunately, agriculture continues to be practised by and large by animal energy as in the first category, and only a small percentage of the people have taken to new techology in their farming practices, viz., a systematic use of scientific knowledge to the practical tasks of agricultural practices. Despite an expenditure of over Rs 100 crores during the last 25 years, the bulk of Indian agriculture remains untouched by science. The first claim of a society upon its total production resources is to get enough food to keep the population alive and well. This is true equally in the primitive societies, semi-developed societies as well as in highly developed societies. The cry for food has echoed through the ages. Food remains man's first physical need.

The New Agricultural Strategy introduced in 1966 led to bumper crops in 1967-68 onwards, but the failure of monsoon in 1972 in parts of the country has completely upturned the apple-cart of the national economy, so much so that starvation is staring in the face millions of our people particularly in the drought-affected areas, with the result that the country is on the verge of importing substantial quantities of foodgrains and edible oils to stave off hunger till the arrival of the next harvest in mid-1973. Since the era of planning commenced and the country launched developmenal plans for agriculture and allied fields; the expenditure in the different Plan periods was as given in Table I.

Despite this huge expenditure the food problem is still very much with us. The reason perhaps is to be found in the fact that our investment in scientific research and advanced technology has not reached the farmer who should be the recipient of all the fruits of research. By tradition the Indian farmer is superstitious and bound by custom. He still carries on the agricultural practices handed down to him by his forefathers and, being practically uneducated in the modern sense of the term, is less prone to experimentation on his fields with new scientific methods of cultivation. He sticks to his land partly because of his attachment to his 'home' and a feeling of so-called independence. In the result, primitive subsistence farming continues to be the rule throughout the country. The realisation is yet to dawn upon him that his lot cannot be improved unless he resorts to farming through the application of technology and results of scientific researches.

The law of diminishing returns is encountered sooner in the land economics and the fact that each successive hour of work increases the farmer's output by progressively smaller amounts may be irrelevant to his calculations. But when he pursues agriculture from a commercial angle, he will have to take into account the proper balance of factors and continue its use up to a point where the marginal revenue equals the marginal cost. It is therefore difficult to determine the optimum size of the holding in the case of a subsistence farmer, as that would also depend upon the state of available technology, capital inputs other than land, as well as the standard of living of the farmer. Thus, the main hurdles in the way of development of agriculture and the people depending upon it as the source of the livelihood can be grouped into the following categories:

(1) Deficiencies of infrastructure;

(2) Deficiency in the agrarian structure;

(3) Deficiencies in the inputs; and

(4) Instability of agricultural prices.

These deficiencies are briefly discussed below.

Paradoxically, in our country, in the industrial sphere, social and distributive aspects have been subordinated to econo-

TABLE I
Expenditure on Agriculture and Allied Fields

Period	Expenditure (Rs in crores)	As percentage of total Plan expenditure
I Five Year Plan	610	31
II ,,	950	20
III ,,	1738	21.2
IV ,, (anticipated)	3466	20.7
V ,, (Proposed)	7000	19.7

mic and technogical aspects, while the vice versa is the case with agriculture. In the case of agriculture, the changes required for its development have to be made at the grass roots. This is particularly so because, unlike in industry where a comparative void can be filled by a few striking results either in the public or private sector, in agriculture, the changes required would be all-comprehensive and by a gradual process. In the present conditions of primitive subsistence farming the farmers have only a little surplus produce for the market, and this surplus too is gobbled up by the local traders-cum-moneylenders at whose mercy the farmers always are because of their indebtedness to these traders against the borrowings. for unproductive purposes. Thus the farmers fall a prey to them in the absence of organised marketing, poor transportation facilities and spatial limitations of the markets.

social overheads

What is badly needed, therefore, is considerable social overhead investment in canals, roads, highways and railway lines which will open up new avenues for the commercialisation of agriculture. There is need for establishing a suitable alternative agency for providing the farmer with necessary credit even for unproductive purposes and free him from the stranglehold of the moneylender's unredeemed debts accumulated over a long period of time. Though the cost so involved may be stupendous, it is an imperative social overhead for ameliorating the living conditions of the rural peasantry. Unless this is done fast enough, it would be futile to expect any miraculous feats in the field of agricultural production.

The farming community lacks even a modicum of education that would make them appreciate the importance and benefits accuring from the introduction of technology, that is a systematic use of scientific knowledge to the practical tasks of agricultural operations. There is. there fore, urgent need to introduce the scheme of setting up agricultural schools in each district within the easy reach of the farmer and his children as also vocational training centres to train them in allied fields and create consciousness of modernity in their ways of thinking and living. Such a scheme would also go a long way in absorbing many educated unemployed whose number is soaring every day.

According to the 1971 census, the total worker population stood at 183.6 million forming 33.5 per cent of the total population. Of this, 78.7 million were agricultural cultivators, 47.3 million agricultural labourers and 57.6 million other workers, forming 42.8, 25.7 and 31.3 per cent of the total worker population respectively. It shows that the number of 'agricultural cultivators' declined from 99.5 million in 1961 census to 78.77 million in 1971, while that of 'agricultural labourers' rose from 31.5 million to 47.3 million, during the same period, with 'other worker' unchanged around 57.6 million. This trend is suggestive of the fact that the 'cultivators' as a class became further impoverished during the decade and turned into 'labourers' for one reason or the other, With this background it is doubtful if the land reforms based on the concept of 'Land to the tiller' now being zealously introduced in the country, will help to improve matters. On the contrary, it is feared that it might aggravate the present situation of shortages. It might be usefulto assess the impact of land reforms in selected States given in Table II.

It will be seen that there will not be enough surplus land available. Even, if only two acres is allotted to each family, it would still leave a large number people without any land. The new landowners' capital would be only land as there are no special schemes to provide other capital requirements such as draught animals, agricultural implements, seeds, fertiliser and finances, without which he can do little with the newly acquired bare land. Thus, the proposed land reforms, apart from involving a huge outlay by way of compensation to the landowners surrendering surplus land, would cost the Exchequer a good deal of money for resettlement of the 'new landowners' with a long gestation period. It would have been better if reforms were initially confined to protecting the rights of tenant cultivators, particularly those cultivating on a 'share-cropping basis'—from threats of eviction by unscrupulous landowners.

The existing system of 'absentee land ownership' needs instant regulation by way of fixing rents payable to them on cash terms rather than on the basis of percentage share of crop harvested. Under the share cropping tenancy system, the cultivator is reluctant to maximise his production and is satisfied when he produces enough for his wants. The cultivator increases his output only up to a point where marginal revenue equals twice the marginal cost, and given diminishing returns to inputs, this point would be reached at the lower levels of output than at the level where marginal revenue equals marginal cost. Moreover, as the bulk of the agricultural population is labourers, there is impe-

TABLE II

Impact of Land Reforms in Certain States

State	Agricultural labour population (in lakhs)	Land likely to be declared surplus as a result of new ceilings.	Remarks
Maharashtra	54.0	2.0 lakh hectares	
UP	60.0	2.5 ,, ,,	
Bihar	68.4	10.0 ,, ,,	
Rajasthan	7.5	5.2 ,, ,,	
Madhya Pradesh	40.8	3.0 ,, ,,	Another 7.0 lakh hec. forest land.
Orissa	19.2	1.0 ,, ,,	Another 10.0 lakh hec. govt. waste lands.
Andhra	67.6	NA	10,000 hec. is declared surplus so far.
Mysore	26.4	1.6 ,, ,,	
Gujarat	18.5	0.4 ,, ,,	
West Bengal	32.4	3.0 ,, ,,	
Punjab	7.7	2.0 ,, ,,	
Haryana	4.2	0.24 ,, ,,	

rative need to evolve an efficient machinery to enforce the Minimum Wages Acts of different states to check harassment and undercutting of wages by unscrupulous landlords, thereby assuring them a guaranteed minimum wage and security of employment.

The deficiency in the supply of capital inputs like improved seeds, fertilisers and such machinery as tractors, would need serious attention. Given that the farmer is freed from the economic bondage of the moneylenders and has a security of tenure for cultivation, he can be expected to concentrate his energies on increasing his output. It is here that the agro-industries corporations set up in different statescan play a useful role. The agro-industries corporations should set up more 'service centres' and establish their own agencies for supplying to the farmers services and capital inputs such as improved seeds, chemical fertiliser, pesticides, etc, at considerably lower costs. They can also set up food and fruits processing centres in the rural areas, and help create more employment opportunities to the people in these areas. The feasibility of opening up small industrial estates like assembly plants for tractors and other agricultural machinery should also be considered at an appropriate stage.

credit facilities

For the purposes of providing credit facilities to the farmers, there is urgent need to set up more bank branches at the rural centres, as recommended by the Banking Commission recently. These banks should be made the only source for channelling credit to the farmers, instead of a plethora of such agencies as exist at present. Each such bank should not have more than say three to five thousand farm accounts so that the banks can know its clients intimately and assess their needs more efficiently. For the purposes of administration, each such bank should have an expert wing attached to it. This wing should comprise an agricultural scientist, an engineer and a public health engineer, who will make an on-the-spot study of the requirements of the farmers and advise the banks as to how much finance should be given to the farmers. These experts will also keep a close watch and render technical advice to the farmers in the utilisation of the credit.

The banks should invariably make the credit available to the farmers in kind by way of improved seeds, chemical fertilisers and other agro-services through the agro-industries corporation's unit stationed in each bank zone. These rural banks can also replace the money-lenders by lending long-term loans to meet the farmers' non-agricultural needs and by offering heavy rebates on prompt repayments. The repayment in kind up to 50 per cent of the value of credit should be made obligatory and thus act as an 'input/output' bank. In the process, the bank can also act as an efficient procurement agency and eliminate the middlemen that now thwart the marketable surplus reaching the consumers.

If these rural banks are also entrusted with the task of mopping up the surpluses, both rural savings and surplus agricultural produce, it will be easier to speed up the task of enforcing financial discipline and control on the production of agricultural commodities without imposing any physical compulsion on the farmers. This process will also facilitate assessment of incomes of farmers and enable efficient enforcement of taxation measures on the affluent farming community. Over a period of time, the whole scheme of 'input-output' banks would become self-financing, even though initially these banks may have to be heavily subsidised on capital overheads. In this context, it would be desirable to assess the role played by co-operative banks so far and amalgamate them with the 'input-output' banks visualised above. A part of the overheads involved in managing these rural input-output banks can be recovered by making the urban bank customers to pay an extra charge for the services they get or by reducing marginally the interest rates on their deposits.

According to a leading banker's estimate, annually nearly Rs 250 crores is paid out by the nationalised commercial banks to urban customers by way of interest on their savings deposits—an unearned income for the urban customers—which in turn flows back into the economy and adds to the inflationary pressures. With the nationalisation of banks there is hardly any security risk involved for depositors' monies with the banks and need for the banks to pay competitive interest rates to attract deposits in urban areas is unwarranted. Instead, it will be in the fitness of things that at least Rs 100 crores out of this Rs 250 crores is ploughed back to development of agriculture and for the betterment of 70 per cent of the country's population who depends upon agriculture for its livelihood. This proposal should be considered seriously for implementation.

Agriculture contributes nearly 45 per cent as its share to the national income and commodities of agricultural origin contribute nearly 40 to 50 per cent share of the country's total export earnings as will be seen from Table III.

There is imperative need to increase the country's exports because of our increasing need to service foreign debts. It is estimated that nearly 30 per cent of the export earnings are utilised for servicing (amortisation and interest payment) of foreign debts. The annual average service charges during the

TABLE III

Agriculture's Share in Total Exports

(In crores of Rs at post-devaluation prices)

	1950-51	1955-56	1960-61	1965-66	1970-71
I Agricultural sector	288.1	287.8	233.7	279.2	468.4
II Manufacturing sector (value of raw material)*	212.7	164.3	94.3	119.8	141.0
Cotton textiles	—	—	28.7	31.6	48.7
Jute goods	—	—	65.6	88.2	92.3
Value of I & II (A)	500.8	452.1	328.0	399.0	609.4
Total exports (B)	941.3	931.3	642.3	805.6	1535.7
Percentage of (A) to (B)	53.14	48.56	51.09	50.0	39.00

*The value is estimated at 50% of total value of manufactured goods.

Source: Reserve Bank of India Bulletin Sept. 1972.

last three Plan periods can be had at a glance from Table IV.

Considering the important role played by agriculture in our economy, it is found that expenditure on development of agriculture—a state subject—is far from reassuring as revealed by a recent survey made by the Reserve Bank of India on the states budgets for 1972-73. Table V gives the budget allocations for agricultural developments *vis-a-vis* other allocations in the budgets of selected states.

TABLE IV

Debt Servicing (Amortisation & Interest), Annual Average

(Rs crores)

Ist Plan	5.0
2nd Plan	24.0
3rd Plan	114.0
1966-67 to 1970-71	370.0

Expenditure on agricultural development in the six states noted above was less than four per cent of the total development expenditure, larger percentages being shared by civil administration under non development expenditure. Agriculture being a state subject, richly deserves a larger share than now of development expenditure, as much of the other development expenditure generally reaches urban population and does not touch the rural areas in such proportions as they deserve. The real planning should be motivated towards purposeful action to attain the ends which are conceived, by means of co-ordinated policies applied on a national scale. If this objective is to be achieved, agricultural plans should be broken up district-wise, and further sector-wise, each sector being a Community Development Block or rather the rural bank zone for purposes of implementation of the Plan programmes.

The urgency of the rural development and the need for increasing agricultural production go hand in hand. Without a strong agricultural base, it will not be possible to achieve industrialisation. It is estimated that by 1975-76, the country's population would be touching 639 million, and the food requirements to feed this size of population would be around 160 million tonnes. including about 30 million tonnes for seed, feed and allowance for wastage. There is thus no time to waste on the agricultural front by tinkering with the problem.

During the year 1972, the extent of price rise is estimated to be of the order of 15 per cent, and unprecedented level of rise during any of the last 25 years of planning. The instability of prices has long been the bane of our agricultural economy. The suggested 'input-output bank scheme, should be able to stem the price rises to a certain extent by limiting the price fluctuations through the elimination of middle-men in the marketing of goods.

widespread misconception

There appears a widespread misconception that the farmers will increase their production if they are offered higher prices for their produce. However, the relationship between supply and price is perverse in an underdeveloped economy like ours in view of the high degree of inelasticity of demand to the price rises especially in the case of foodgrains. This can happen for two reasons: first, the farmers will be able to get more money/income by sale of a lesser quantity of their surplus where the prices are higher, with the result that they will produce less of foodgrains and divert their energies for producing more of other crops on their fields which will yield better incomes, or, secondly, if the farmers are underfed, they will consume more for themselves, leave less for the market and still earn the same money/income for their other needs. On the other hand, if prices remain steady or decline (say in depression), the farmers have to produce more to cover their market sales to earn money/income for other needs.

High procurement prices might adversely affect the farmer's incentive to produce more for the market. Thus it is desirable that the farmer is offered a guranteed minimum price—based on the price averages of good and bad seasons (say for 10 years) so that he is obliged to sell certain minimum percentage of his produce to the state, through the input-output banks, with liberty to sell the rest in the open market. Only thus can a measure of stability be injected into the agricultural price mechanism. There should also be arrangements for supply of free foodgrains to farmers and his family in the event of failure of crop due to experimentation of new process, and/or drought conditions.

slow process

Lastly, the process of rural uplift is a slow and gradual. It would take more time than is imagined to extricate the farmer from his deep rooted superstition and custom bound way of life. If more and more educated people start living in his surroundings in rural areas it will have a healthy demonstration effect and speed up his transformation. The problem, however, would be how to attract the educated people to go to the rural areas and work for their betterment. In this connection, it would be worthwhile

TABLE V

Allocations for Agriculture in Selected State Budgets: 1972-73

(Rupees crores)

S. No.	States	Total expenditure	Non-development expenditure		Developmental expenditure	
			Total	Civil admistration	Total	Agriculture
1.	All India	5040.9	1874.2 (37.2)	516.6 (10.2)	3166.7 (62.8)	211·6 (4.2)
2.	Maharashtra	594.9	236.2 (39.7)	67.1 (11.3)	358.7 (60.3)	21.0 (3.5)
3.	Uttar Pradesh	567.3	226.1 (39.9)	57.5 (10.1)	341.2 (60.1)	22.2 (3.9)
4.	Andhra Pradesh	359.2	138.3 (38.5)	45.0 (12.5)	220.9 (61.5)	11.6 (3.2)
5.	Mysore	297.4	105.5 (35.5)	23.0 (7.8)	191.9 (64.5)	11.9 (4.0)
6.	Gujarat	278.8	90.8 (32.6)	26.1 (9.4)	188.0 (67.4)	6.4 (2.3)
7.	Rajasthan	239.5	92.1 (38.5)	21.6 (9.0)	147.4 (61.5)	9.1 (3.8)

Source: Reserve Bank of Indian Bulletin, Sept. 1972.
Note: Figures in brackets indicate percentage to total group expenditure

to recall the words of the classical economist, John Stuart Mill, from his *Principle's of Political Economy*:

> "A man educated at the expense of much labour and time to any of these employments which require extraordinary dexerity and skill may be compared to expensive machines. The work which he learns to perform, it must be expected, over and above, usual wages of common labour, will replace him the whole expense of his education, with at least the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life."

Thus, the only way to attract better talents to work in rural areas is that they should be assured not only an income which they would ordinarily expect in a city, but also an extra 'rural allowance' for discomfort and inconvenience they may suffer, either in real or psychological terms, so as to pursuade them to take up jobs in rural areas. The suggested outfit of input-output banks and agro-industrial units manned with well paid educated people appears to be the only tangible solution to the rural problem. It would also be in fitness of things if a monitoring agency of the Planning Commission is located in each district to acquaint itself with the problems of development at first hand. The Planning Commission would then be in constant touch with the overall developments in each of the 350 district of the country. This is absolutely necessary because of the stake involved in the proper utilisation of the huge outlays. Other establishments like entertainment houses, cinema theatres, restaurants, and hotels, and shopping centres, will naturally spring up by the assured minimum patronage of the elite of the rural areas. Agricultural development cannot be achieved if it is treated in isolation from other programmes of development. The task can be fulfilled only by a dynamic and pragmatic approach to all its problems in an enlightened manner with the greatest amount of co-ordination by all sections of the intelligentsia, the business community and the authorities.

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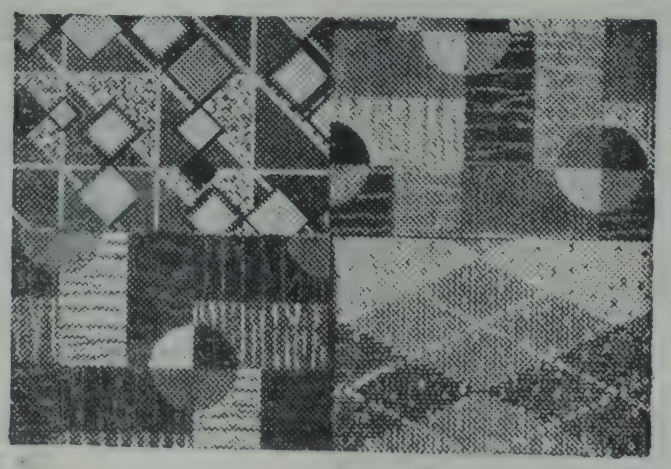
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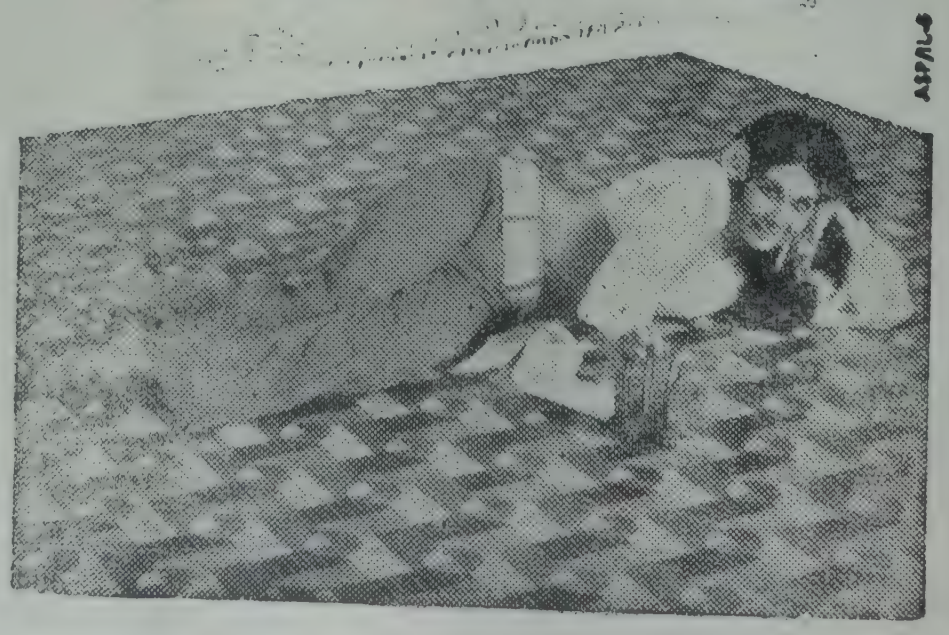
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The revolution in computers

Jossleyn Hennessy
London

WINDOW ON THE WORLD

Fantastic Realities

COMPUTERS AND communications technologies are having an ever speedier impact on the daily life and growth of modern economies on a scale that grows daily more fantastic. Large data banks are already coming into use, both in private industry and in the public sector, and data bank managers will shortly communicate between themselves and with the users via national and international communications, primarily the public telephone network. The combination of these technologies will provide countries with an incredible tool to revolutionise the speed and accuracy of decision-making in national goals and improve out of all recognition their productivity growth, particularly in all services.

Not long ago I was fortunate enough to spend three months at the international communications centre at the United Nations Development Organisation in Vienna and the vast and well-nigh incredible world-wide possibilities that await us in the next five years, which at first I found difficult to grasp, at last sank into me. But since leaving Vienna I have, outside the ranks of specialists, encountered not more than a dozen civil servants, professional men, business executives and journalists who have the dimmest idea of the far horizons immediately ahead. I therefore seize the occasion to report in depth on a programme carried out by the Computer Utilisation Group of the OECD's Directorate for Scientific Affairs, intended to help OECD members to formulate policies to exploit national and international policies for national and international computer network for the minute by minute use of government departments and all branches of industry and journalism, indeed of anyone in any field who needs information on which to formulate decisions. At present virtually all such decisions are likely to be taken on what may well be the most recent available statistical or other information, but the time taken to collect, classify and retrieve this information—often from several centres in widely separated countries and often without even knowing whether it exists or not—means that the data used may be weeks, months, or even one, two or more years out of date. This, to give one concrete example, is certainly the case with virtually every investment decision taken in industry.

The OECD's Computer Utilisation Group has now produced the following new studies (obtainable in English from the OECD, 2 rue Andre-Pascal, 75775 Paris, Cedex 16, France): *Computers and Telecommunications*: *Economic Technical and Organisational Issues* by Dieter Kimbel; *Automated Information Management in Public Administration*; *Present Developments and Impact* by Klaus Lenk; *Towards Central Government Computer Policies*: *Data Base Developments and International Dimensions* by Russell Pipe. I summarise the highlights of these reports.

To understand the directions in which future communication developments will affect society, we must look at anticipated technological progress, particularly the three hardware components: Computers, telecommunication facilities and terminals.

This is not science-fiction but technologies already under development. In fact, technical advance which have made the computer/telcommunications concept possible have already greatly widened the the range of practical applications previously impossible for technical or economic reasons

Today, as a result:

(1) It is now technically feasible to bring the full-scale international complex of computer data banks and network to anyone in the world served by suitable telecommunications facilities;

(2) The interaction between the central computer and the remote user is virtually instantaneous, so that the user receives the same services that he would if he were physically in the same room as the source of his computerised information;

(3) The cost to each user is only a fraction of what it would be if the same services were provided by individually owned computers;

(4) The separate data collections of many individuals can be pooled in large public files so that their contents become simultaneously available on demand to all subscribers in any country throughout the world;

(5) The technique of time-sharing has made direct dialogue between man and computer economically practicable;

(6) Computer/tecommunication systems have been succesfully applied to many fields, such as engineering design, information retrieval, medical diagnosis, problems solving and computer programming.

The advances in computers and telecommunications imply a major international innovation stimulus in the provision of new "tools" in the service—i.e. scientific, medical, legal, educational and all other professions,—and in a wide range of public services which are today the targets of public complaints because of their financial deficits and inefficiency.

In the United States it has been suggested that of some $1.6 trillion ($ 1,600-000,000,000) that the government will be spending over the next ten years for social projects (transport services, educa-

tion, health, welfare, retraining) at least 10 per cent could be saved by the integrated use of computor/telecommunication systems. Indeed, the applications of computer/telecommunication and related technologies might develop into a most important infrastructure system. Almost all activities, whether science, education, government, transport or industry, will centre on, the function through, the computer-network.

II

The Advancing Technology

The development of integrated electronic circuits at decreasing costs was the breakthrough for the computer's central processing unit in the 1950s. Further substantial gains in speed and flexibility are expected through large-scale integration (LSI).

Thus, the large systems, such as Illiac IV, now under development at the University of Illinois in the USA are reported to be 500 times faster than today's fastest commercial computers. With LSI technology, it is possible that computing costs will fall further by a factor of 40 to 50 during the next ten years.

In 1960 a typical computer could perform 50,000 multiplications per second. Now it can handle 375,000. The cost to the customer used to be $0.25. Soon it will be $0.05 This development is an essential factor in widespread distribution of computer power.

Developments of strategic importance for the automation of data management, permitting rapid access to any part of a world store of information, are under way in the "memory" segment of the computer facility.

Storage devices now entering the market can hold more than 100,000 million characters of information (i.e. more than 100,000 closely printed 400-page books) in computer memories with "access time" short cnough to retrieve any group of characters in a time-scale suitable for use in an interactive system.

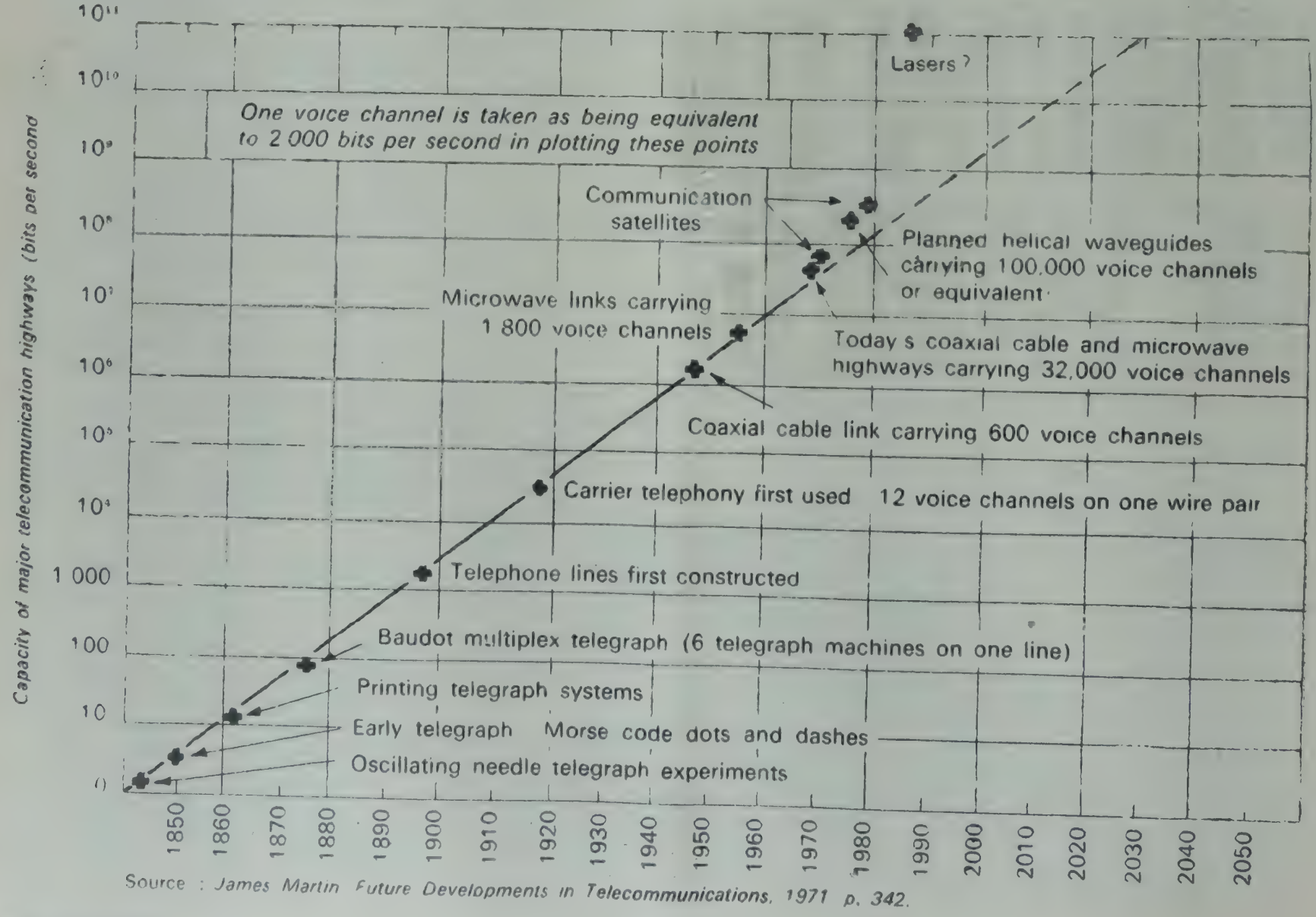
Storage technology is expected to improve considerably over the next few years. Some experts anticipate holographic memories on the market within five years. The University of Illinois has recently announced other advanced and fairly cheap techniques, such as plasma memory (using ionised gas) for data storage and ferro-acoustic memory techniques. Another promising development may be opened by magnetic bubble memories, which may shrink the size of computers 2,000-fold—i.e. down to a packet of cigarettes that you could put in your waistcoat pocket.

Two linked developments rapidly gaining momentum are electronic-video-recording systems (EVR) and playback techniques. It is expected that they will provide economical memory functions and therefore a wide variety of informamation-retrieval applications. At present there are at least four different—and incompatible—systems in the prototype stage:

(1) CBS-EVR, employing a special five-grain miniaturised film for playback on TV screens;

(2) *Magnetic Tape*, using a magnetic video-tape on which images and sound are converted into video signals and stor-

THE SEQUENCE OF INVENTIONS IN TELECOMMUNICATIONS



Source : *James Martin Future Developments in Telecommunications, 1971 p. 342.*

ed in a cartridge or cassette, to be played back to the TV screen;

(3) *Plastic Disc*, involving a video-taped programme transmitting frequency-modulated signals to a master-recorder cutting-head, which incises ultrafine grooves in a master disc, which in turn, can stamp out plastic replicas; playback is by a highspeed record player which translates pressure variations into pictures on the TV screen;

(4) *Holograph Tape*. an electronic video-recording system based on laser beams to record multiple images in a hologram. By 1980, it is anticipated that the market for these related communications devices will be comparable to that of today's TV sets. Further, when cable TV develops a two-way capability, enabling set owners to dial in (and pay for) special programmes, cable television in tandem with cartridges or cassettes may become the heart of *home* entertainment, education and information. There would be home libraries of books, plays, instructional movies, etc in cassette form on the home TV screen.

Directly related to the above are new developments and newly opened possibilities in interactive man-computer communications.

At the present time, the most common terminals in time-shared systems are the typewriter and the teletype machine. In addition, some systems use touch-tone telephone pads as the input medium, with voice recordings stored by the computer to provide vocal answers to users.

videophone service

For future sophisticated applications, keyboard-equipped cathode ray-tube terminals seem likely, and there is good reason to believe that the common TV set will play a significant role as an input-output instrument. In this case, either a high-speed data transmission link is required to fill the display screen or some memory capacity has to be added, thus raising costs considerably. For an image with moving events on a TV screen with 512-line revolution, 6,000,000 bits per second must be transmitted. A promising solution might be the terminal (Bitzer console) or the ultra-fast facsimile terminal (a derivative of the picture-phone).

The picture-phone technique allows transmission of both conversations and documents and promises, through various combinations, to offer a new special service, namely, video telephony, and an u!tra-fast telegram service.

Two possible applications of facsimiles and videophones are interesting for both economic and political reasons: the "elcct-ronic newspaper" and some traditional postal services, such as letter mail, printed matter, money orders etc., which at present create large deficits in most countries.

The production and distribution of newspapers is a remarkable application of telecommunication-based computer systems and it is already gaining ground. On the production side, e.g., the Soviet *Pravda* uses an ultra-fast facsimile system: the Belinogram which enables *Pravda* to be printed simultaneously in Moscow and Kabarovsk, 4,800 miles apart, via the satellite Molina I.

The distribution of an electronic newspaper can be even more striking. Each individual reader chooses—by pressing buttons on communication links, whatever newspaper he may like. Thus Japan's *Asahi* and the American *New York Times* were transmitted by facsimile during a recent exhibition at Chicago. The size of the hard copy was 32x45 cm. Transmission time was five minutes ten seconds for two pages. It is estimated that the terminal, once mass-produced, will cost between $50 and $100. Distribution of an electronic newspaper *without* hard copy is possible over video and sound channels on your own home TV screen.

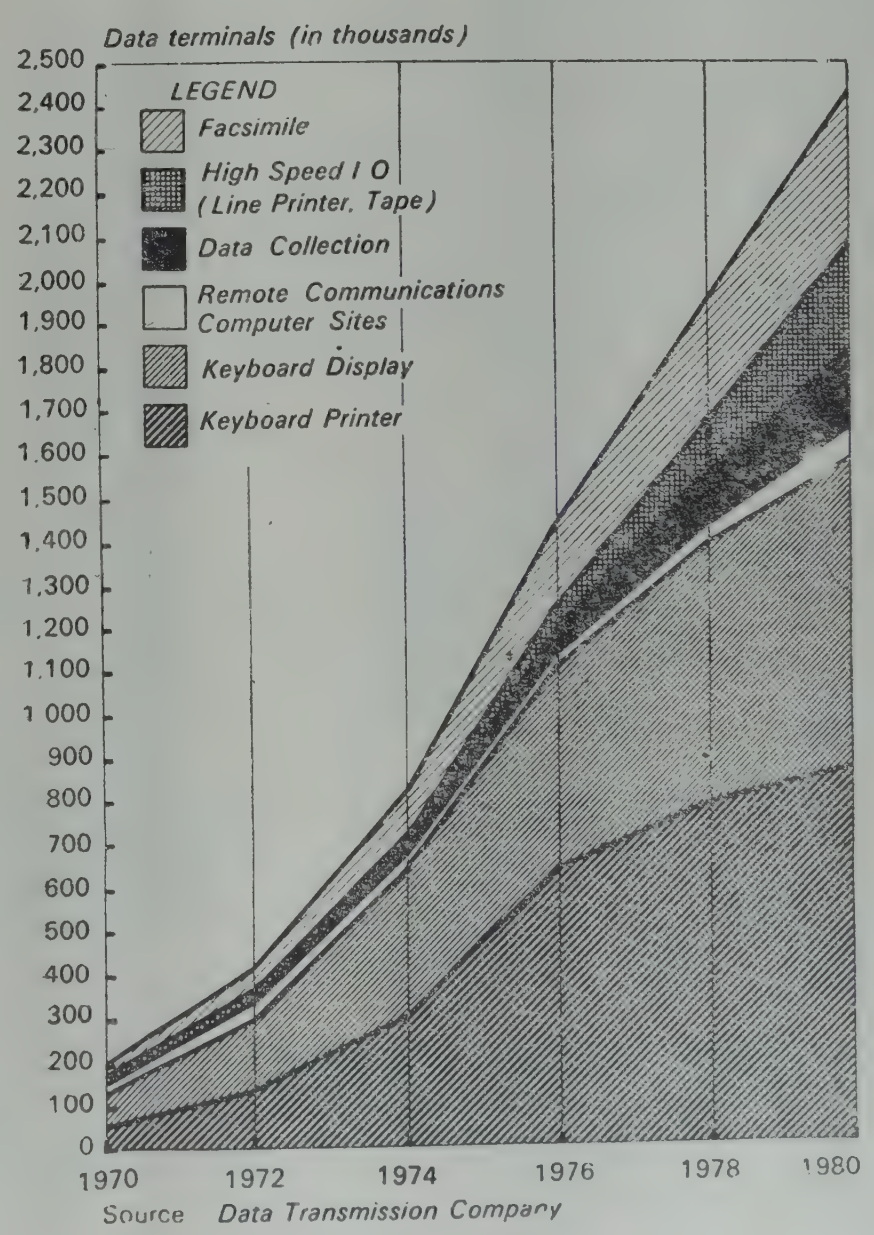
The new technologies might be important in countervailing the trend towards the concentration of newspapers currently seen in many countries, because the basic cost for publishing an average quality newspaper breaks thus: editorial staff about 20 per cent and printing (press and paper) about 80 per cent. A computer share among publishers could significantly reduce printing costs and thus stimulate competition within the vital editorial staff and information services of newspapers.

III

Promises Realised

To realise the promises of the technologies that I outlined above, both in terms of services (as a new infrastructure system) and of industrial growth potential (key industries), you can't regard them as sepa-

FORECAST NUMBER OF REMOTE DATA TERMINALS BY TYPE OF DEVICE (USA)



rate entities or plans for computers, terminals and telecommunications technologies separately. A systems approach is necessary because the components of the utility concept are complementary. Here is an example of what I mean:

Today's telephone system, although well developed and offering facilities for some 300 million people around the world, suffers from the fact that it uses paired copper wires for local distribution and is thus suitable only for handling signals of telephone for low-speed data type.

the "Wired City"

To overcome these band-width limitations, a Canadian seminar has suggested a "wired city", i.e., a city wired for "total communications". It is possible to increase the telephone system's capacity by replacing its copper pairs with coaxial cables, thereby forming a switched coaxial cable system which would allow the real location of the overcrowded electromagnetic spectrum. Existing cable TV networks, for instance, employ broad-band coaxial cables providing 300 times the capacity of paired copper wires. The British Post Office has an experimental system in operation at Wembley—the forerunner of multi-service coaxial systems to be installed throughout the UK over the next twenty years.

In Japan, the "wired city" will become a reality in Tama New Town, a satellite of Tokyo. A $19 million project now under way will link a large number of appartment buildings by coaxial cables, which will make the following services available to subscribers: (1) Video programmes on request, (2) Computer aided instruction, (3) Data retrieval, (4) Shopping guide, (5) Facsimile newspaper reproduction, (6) Simultaneous rebroadcast of TV programmes, (7) Reservations for hotels, planes, theatre. etc, (8) Automatic metering of gas, water and electricity consumed, (9) Telecontrol of household appliances, and (10) A "tele-credit card" i.e. an electronic cashless payments system.

Similarly, the US Federal Communications Commission (FFC) says that cable TV will provide a "wired city" with such possibilities as facsimile reproduction of newspapers, magazines, documents etc., electronic mail delivery, merchandising, links between head offices and branches, primary customers or suppliers, access to computers, e.g., man-to-computer enquires and answers (credit cheques, airline reservations, branch banking etc.), retrieval of information from libraries, public archives etc., and computer-to-computer communications.

Most experts agree with cable TV industries' prediction that 5o per cent of US and Canadian homes will have cable access within two years. Consequently the FCC is now obliging CATV providers to include two-way communications for new services. This could lead, through mergers or agreements among cable TV operators and computer time-sharing companies, to the offering of computer-based home services.

The industrial growth potential of the computer telecommunication industries is as impressive as its impact on the services. Indeed, these science-based technologies will become a key industry.

In 1971, the Canadian Science Council noted that "the electronic computer may well be the basis in the 1970s of the world's largest industry after petroleum and automobiles."

In France, the computer industry is expected to overtake the automobile industry in dollar volume within three years.

In Japan, installed computer systems will account for 2.3 per cent of GNP within two years.

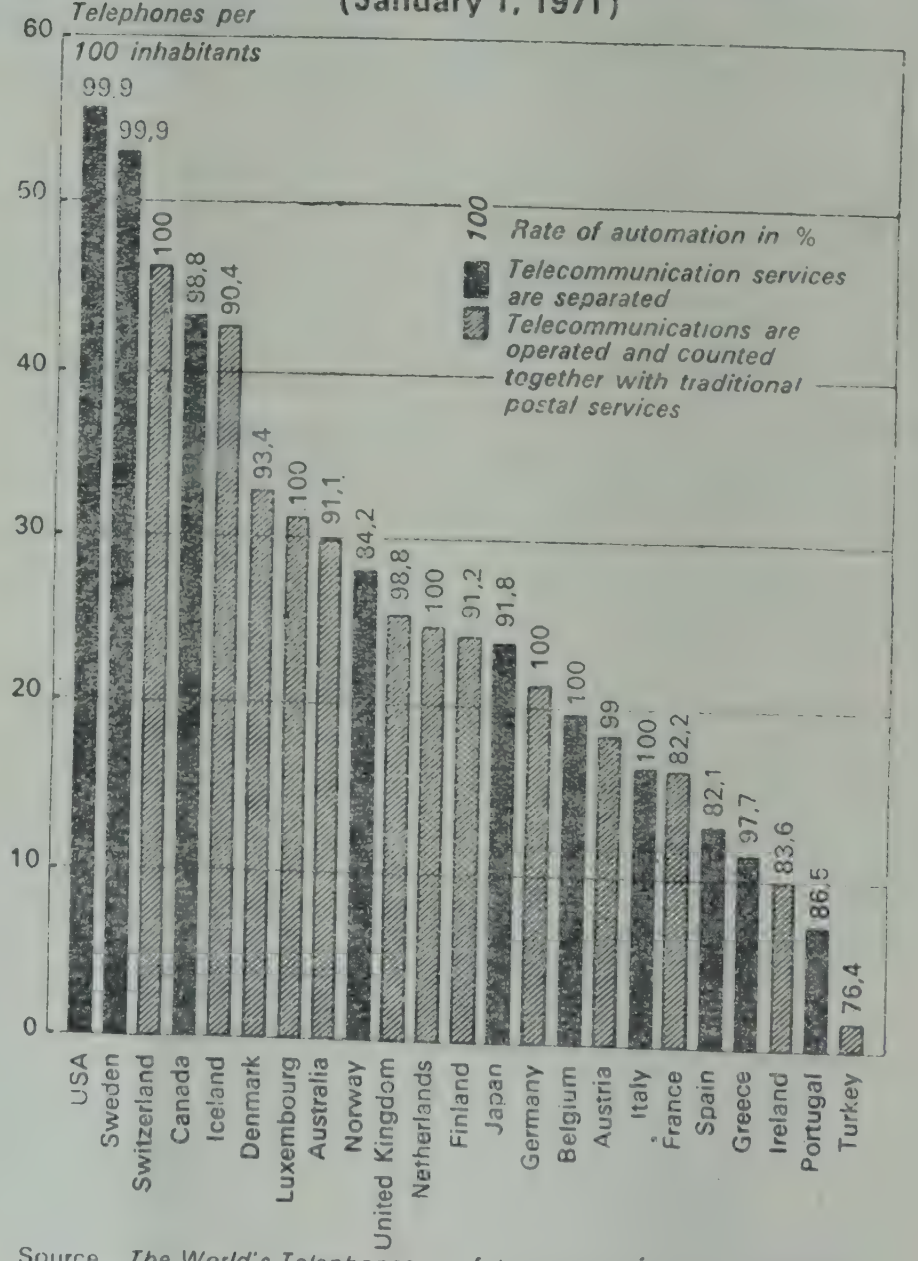
British market estimates are that total expenditure for computing in the UK will approach four per cent of GNP by 1980.

American experts estimate that by 1980, some $160,000 million will have been invested in computer systems and $100,000 million for expansion of telecommunications networks.

The experts are calling for a detailed policy designed: (1) To facilitate the introduction and control of the shape of the new infrastructure; (2) To reassess existing telecommunications services and the structure of the computer-telecommunication common carriers industry; and (3) To guide this key industry towards qualitative and quantitative economic growth.

Progress is not a technical but an economic and political problem. The danger is that with the present organisa-

TELEPHONE DENSITY AND STRUCTURE OF COMMON CARRIERS ORGANISATION
(January 1, 1971)



Source .. *The World's Telephones as of January 1, 1971. A.T & T. Long Lines. Overseas Administration, New York, February 1972*

tional structure of the computer and telecommunications indutsry, much of the riches that these technologies could bring will not be harvested.

The creation of national systems on the scale and potential described seems economically and politically impossible without the broadest concerted approach, which should include: (1) Computer manufacturers (incorporating the widest spectrum of terminals and related component manufacturers); (2) Computer service bureaus; (3) Common carriers and broadcasters: (4) Software houses; and (5) Present and potential users.

Consequently some countries are seeking a major programme approach identifying major objectives of social and economic needs likely to be fulfilled by computer telecommunication technology and to fix them into the national science and technology policy as well as economic policy. Some of the objectives might be: (1) Computer aided instruction; (2) A "paperless" (i.e. "less paper") service sector and (3) Innovation within critical public enterprises and services which are causing large deficits and thus absorbing urgently needed public resources (e.g., postal services, railway transport etc).

It is therefore suggested that individual, industrial, commercial and government needs for computer/telecommunications systems should be anticipated and strategy worked out to shape the direction of new hardware development. The opportunity for taking up these national options is increasingly at hand as the patterns of computer usage change and new technological advances come into being; and as the structure of the new industry is no longer dominated by a few computer hardware manufacturers, but is becoming a far more complex affair in which software houses service bureaus, peripheral device manufacturers and telecommunications carriers play a major role.

In addition, as communications become a strategic parameter in terms of costs as well as technology, it is believed that a communication policy could meet both challenges: establishing guidelines for users and industry by setting technical standards for computers, mini-computers, terminal and cassette devices nationally and internationally.

Assessment of computer/telecommunition technologies and the service/ they provide, which are international by nature, cannot be limited to one country and requires international co-operation.

This is all the more important, because the major issues affecting the international proliferation of telecommunication-based technologies are political, as is exemplified by the PAL and SECAM colour-TV controversy. You must also take into account the different levels of economic and technological capacities for producing the appropriate facilities at the lowest cost.

Consequently, if the international telecommunications industry is to be able to rely on predictable national policies, means must be found to isolate economic conflicts and to arrive at agreement well ahead of the time when new facilities are to be installed.

It is most likely that such a policy would appreciably improve the process of innovation and strengthen international competitive market forces. Besides stimulating further improvements, this would, ideally, lead to the harmonisation of world and national market prices which at present vary by as much as 100 per cent e.g, average plant investment for a telephone costs about $500 in the USA compared up to $1,000 and more in some European countries.

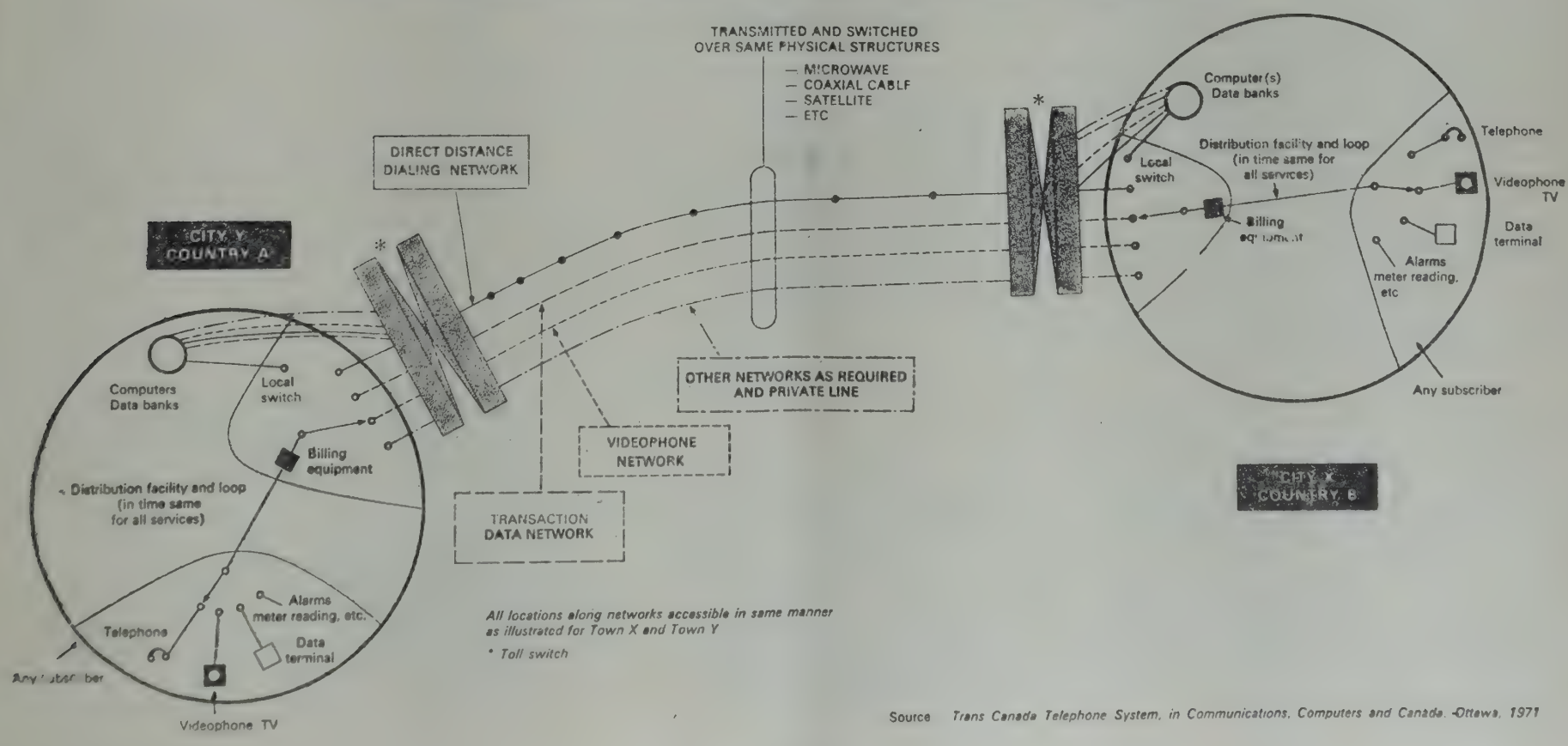
The key for rationalising the work of public administration is *integrated data storage*. This does not mean the physical centralisation of data in one place but their logical integration, i.e. (a) their *common use* in several administrative processes, (b) their *sharing* by different agencies, and (c) their *combination* into sets of data providing new meaningful information.

Further, integration of data storage also means that data provided, or generated, by different branches of public administration are so stored that they are available to other branches, and that records of stored data may be *linked* by common identifiers. When this covers an entire set of records, the set becomes an *integrated data base.*

Data storage integration can be a fac-

AN INTEGRATED NETWORK LINKING TWO CITIES

A simplified view of the potential capabilities of the functionally separate but physically integrated telecommunication facilities



Source *Trans Canada Telephone System, in Communications, Computers and Canada. Ottawa, 1971*

tor to promote organisational integration. Information technology could make available to public administrations a system of "common memory" which could lead to change both in the functional and the institutional organisation of public administration, and in its relations with the public. To give only one example in the field of population registration: birth registers, municipal address registration, statistical files and taxpayers' files could be integrated with the result that a number of institutions involved in registration of such data could be consolidated.

Several American experts have described a "unified information system" which would serve national and local administrations with data stored and processed at one information centre. The data are categorised as environmental and internal: environmental data concerning persons, real estate and personal property, and internal data referring to resources owned or controlled by governmental agencies (money, employees, equipment and facilities). The former are considered the more important data because they interest more agencies.

Other models of a unified information system have been developed along similar lines. Several of particular interest have emerged from the development in Sweden of centralised data bases with remote online inquiry facilities.

The Swedish systems are designed to support existing administrative agencies, such as land registration, population, registration, car registration, law enforcement, social security and labour market administration. Most of them are scheduled to become operational for the whole country between 1973 (Central Population Register, Central Car Registration System) and 1976 (Land Data Bank Social Security System),

The degree of integration desirable between these large data bases is under discussion. First efforts towards such integration in Sweden have been made by the Central Bureau of Statistics, which was influenced by a "Statistical File System" proposed in Norway. This system aims to set up basic registers for population. business firms and real estate units that serve operative purposes of public administration and at the same time feed archive registers. In Sweden it has been organised around three large data bases for population, enterprise and land data.

Sources and acknowledgement

This is the first of a series of articles summarising a report just published by the OECD (2 rue Andre Pascal, F 75775 Paris Cedex 16, France).

Floating exchange rates

E. B. Brook
Vienna

MAY HAS been a poor month for what might be termed "the Establishment" of the Atlantic world. The US dollar, having suffered two 10 per cent devaluations, in December 1971 and February this year, failed three weeks ago to stand up to a further sharp rise in the price of gold which rose at the worst time to above 100 dollars an ounce. There has been some recovery since and the value of generally floating exchange rates was illustrated by the lack of excitement this high gold price aroused. The financial world is the healthier for being more flexible and resilient, so that sudden rises in the gold price no longer keep unfortunate Finance ministers up all night holding highly publicized "secret" meetings to make emergency adjustments. The adjustments are now made automatically and the only anxiety remaining is over the uncertain link between the ever-strong West German mark and the rather more suspect French franc, a point at which west Europe's financial defences could still break down under intense pressure.

The strength of the mark against the US dollar is no cause for joy either to West German shareholders who see their holdings' value fall systematically nor to industrial companies in Federal Germany who have to meet ever more difficult selling markets as the value of their home currency rises. The West Germans have, however, the consolation that, at home they have a stronger rate of price stability than almost any other industrial country in the Atlantic area and that their already large trade surplus is regularly boosted.

The US government itself has had something of major crisis of confidence over the Watergate affair and neither over this event nor over the dollar-gold ratio is there any confidence. In Britain, also, the scandal—of which, in European eyes, the British, with their puritan attitudes, tend to make far too much—of cabinet ministers patronising call-girls (with some possible risk to state security) has induced anther low profile for the Anglo-Saxons; the fact that their despatch of gunboats to the Icelandic fishing grounds has been publicly approved by no one other than the Soviet Union and Poland (also great fishers) has made the British a trifle inclined to ask to be saved from their friends. The Soviet Union, on the other hand, made an almost startlingly agreeable and enterprising visit to Federal Germany in the person of Mr Brezhnev himself. On balance, the last half of May has seen west Europe either marking time or nervously defensive while east European neighbour has been "*rearing to go.*"

There have, all the same been some areas of quiet progress or, where there has not been progress, clearer definition. One such area is the broad and flexible guidelines provided by the Common Market Commission to work for a multi-fibre text within ths framework of GATT. The Common Market's governments are seeking a pact which, while leading to "the progressive liberalisation of world textile trade" would provide restraints on industrially-developing countries' exports of textiles. They also seek international surveillance of trade restraint measures while setting up a safeguard procedure which could introduce restrictions when imports threatened to harm domestic industry. As usual, intentions are noble, with self-interest as the first consideration.

There is some hurry about all this. The USA and the Common Market agree that these negotiations over textiles must take place before and outside the GATT multilateral talks due to begin in Tokyo on September 13. The GATT Working Party on Trade in Textiles met in Geneva on June 5 and, in any case, its Long Term Arrangement on Cotton Textiles expires on September 30. The USA wants a new Long Term Arrangement on Cotton Textiles by September 30 and rejects all proposals that the present Arrangement be extended for a year. The US Trade Reform Bill, its proposed scheme for industrially-developing countries' exports and the broad US mandate for the GATT multilateral talks could, Washington warns, be "severely jeopardized" by failure to agree on textiles. There is great pressure over the matter, especially from the USA and even the Common Market negotiators are doubtful if it will even be possible to meet the stringent US datelines. Industrially-developing countries see no reason to take textiles out of

the multilateral trade talks or to negotiate a new cotton agreement for some time, especially when both in politics and trade policy there is great uncertainty over the US market. These "third world" opinions are being put forward emphatically in Brussels and Geneva. Rising levels of garment imports from relatively low-cost producing areas continue to cause concern in west Europe and the USA and neither are to take anything but a protectionist attitude in this summer's discussions.

declaration of intent

The one thing that has recently pleased the USA about west Europe and its trade institutions is that the nine countries of the Common Market and others participating in preparations for the coming international trade liberalisation talks have decided to draw up a general declaration of intent. But finding a form of words to express west European intentions that will be acceptable to an increasingly defensive United States will be particularly difficult. The GATT negotiating committee will meet for three weeks in July to mull over this problem when they will at least have the advantage of a first draft drawn up by the GATT secretariat. As usual sensitive areas have so far been avoided and everyone takes shelter in the near certainty that the mutlinational talks will, only open formally in Tokyo, will not begin substantially till the new year and will continue for some two years, during which time many new circumstances will arise. Everyone is finding good reasons for repairing from making up their minds on anything more important than procedure and the general prospects for the trade talks is the usual pattern of deferment and bargaining until almost the last moment and to the point of exhaustion. This was something of the pattern of the Kennedy Round in the sixties and has been standard in the Common Market.

The coming trade negotiations, it seems to need emphasising, are not a matter for the USA, the Common Market and Japan only : all members of the General Agreement on Tariffs and Trade—many of them industrially-developing countries and some from east Europe—are as much involved as any others and it is important that those who consider themselves "the big boys" should not be allowed to steal the show and also that the length of the negotiations should not be allowed to induce a weariness leading to indifference. These discussions will cover not only industrial tariffs but also non-tariff but barriers (a more sensitive area) and there is hope that barriers to trade in farm products may also be reduced, if they cannot be eliminated. The ideal is also to discuss special measures to help industrially developing countries expand their trade—but this is an aspiration trotted out so often without substantial effect that it begins to belong to the area of pious aspirations. For this reason the GATT Secretary-General and his secretariat are hoping that GATT members from Asia, Africa and South America will not only attend but consistently make their voices heard and their weight felt. There are plenty of points of disuntiy among the "big boys" to give others opportunity.

All who take part in the coming GATT discussions might do well to recall that monetary devaluations have proved they can do more to modify the terms of international trade competition than years of negotiations. The Kennedy Round for tariff concessions took three years to negotiate and five years to implement : the two devaluations of the US dollar have changed terms of competition in eighteen months to a far greater extent than the famous Round. The world is also now one of floating exchange rates in which no country has yet found a reliable means of protection against massive "hot money flows". The Germans have failed at the expense of the mark; the Swiss have been more successful but only at the expense of driving the Swiss franc up to an unrealistic exchange rate and the French "two-tier" solution has not yet been tested severely and is widely distrusted in Europe. For this reason, there are no longer any truly strong states and any strong arm talk at GATT will have no muscle behind it.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 4 per copy. The annual subscription is Rs 16.

Inquiries regarding subscription and advertisements may be addressed to :

The Manager,
The Eastern Economist Ltd, Post Box No. 34, New Delhi-1.

PUNJAB NATIONAL

Balance Sheet as at

1971 Rs.	CAPITAL & LIABILITIES	Rs. P.	Rs. P.
	1. PAID-UP CAPITAL:		
2,00,00,000	(Wholly owned by Central Government)		2,00,00,000.00
	2. RESERVE FUND AND OTHER RESERVES:		
4,96,40,656	(i) Reserve Fund	5,46,40,655.94	
90,000	(ii) Development Rebate Reserve	40,000.00	
1,27,88,000	(iii) Other Reserves	1,28,38,000.00	
6,25,18,656			6,75,18,655.94
	3. DEPOSITS AND OTHER ACCOUNTS:		
238,61,80,190	Fixed Deposits	282,11,04,555.36	
191,90,62,061	Savings Bank Deposits	215,08,91,526.69	
106,23,32,570	Current Accounts, Contingency Accounts, etc. (including Staff Housing Fund)	123,11,24,682.89	
46,50,318	Employees' Security Deposits held by the Bank itself	50,24,266.17	
537,22,25,139			620,81,45,031.11
	4. BORROWINGS FROM OTHER BANKS:		
7,23,281	(i) In India*	1,99,20,000.01	
2,66,921	(ii) Outside India	61,542.82	
9,90,202			1,99,81,542.83
	Particulars:		
6,14,501	(i) Secured by part of Government Securities lodged	13,04,437.46	
3,75,701	(ii) Unsecured	1,86,77,105.37	
6,52,02,052	**5. BILLS PAYABLE**		7,95,95,699.15
	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA:		
30,93,79,692	(i) Payable in India	30,92,00,708.29	
2,92,44,893	(ii) Payable outside India	5,14,75,422.05	
33,86,24,585			36,06,76,130.34
	7. OTHER LIABILITIES:		
14,45,37,394	(i) Branch Adjustments	15,59,12,964.90	
4,08,170	(ii) Dividend and Interest on Advance Calls unclaimed	3,93,177.03	
26,90,655	(iii) Rebate on Bills Discounted	45,26,144.36	
14,76,36,219			16,08,32,286.29
63,17,37,010	**8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA**		66,55,20,723.84
663,89,33,863			758,22,70,069.50

*Includes inter-bank 'money at call and short-notice' which was classified under Deposits and Other Accounts in the previous year.

BANK

31st December, 1972

1971	PROPERTY & ASSETS				
Rs.				Rs. P.	Rs. P.
	1. **CASH:**				
41,99,11,496	In hand and with Reserve Bank and State Bank of India including Foreign Currency Notes				45,00,66,475.72
	2. **BALANCE WITH OTHER BANKS:**				
		Current Account	*Deposit Account*		
1,08,11,827	(i) In India	1,51,82,911.27	3,00,00,000.00		
72,82,374	(ii) Outside India	78,89,370.56	—		
1,80,94,201					5,30,72,281.83
12,67,00,000	3. **MONEY AT CALL AND SHORT NOTICE**				19,50,00,000.00
	4. **INVESTMENTS AT OR BELOW COST:**				
129,16,58,791	(i) (a) Securities of the Central and State Governments including Treasury Bills of the Central and State Governments			208,91,54,886.18	
26,18,16,425	(b) Other Trustee Securities			36,49,16,274.75	
155,34,75,216				245,40,71,160.93	
	(ii) Shares:				
		Fully Paid-up	*Partly Paid-up*		
3,28,000	Preference ..	3,28,000.00	Nil		
1,55,89,187	Ordinary ..	82,14,187.40	73,75,000.00		
1,59,17,187				1,59,17,187.40	
36,64,451	(iii) Debentures of Indian Joint Stock Companies			69,40,576.00	
	(iv) Other Investments:				
4,50,000	Contribution to initial capital of Unit Trust of India			4,50,000.00	
Nil	(v) Gold			Nil	
157,35,06,854					247,73,78,924.33
	5. **ADVANCES:**				
	Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors:				
	1. Loans, Cash Credits, Overdrafts etc.:				
269,09,69,880	(i) In India			250,89,83,236.88	
Nil	(ii) Outside India			Nil	
269,09,69,880				250,89,83,236.88	
	2. Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments):				
68,79,22,777	(i) Payable in India			68,17,87,946.84	
4,02,89,139	(ii) Payable outside India			7,47,37,246.65	
72,82,11,916				75,65,25,193.49	
341,91,81,796	(Particulars of Advances as per Schedule attached)				326,55,08,430.37
	6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA:**				
30,93,79,692	(i) Payable in India			30,92,00,708.29	
2,92,44,893	(ii) Payable outside India			5,14,75,422.05	
33,86,24,585					36,06,76,130.34
63,17,37,010	7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA**				66,55,20,723.84
652,77,55,942					746,72,22,966.43

PUNJAB NATIONAL

Balance Sheet as at

1971	CAPITAL & LIABILITIES				
Rs.			Rs. P.	Rs.	P.
663,89,33,863	Brought forward			758,22,70,069	.50
	9. PROFIT AND LOSS ACCOUNT:				
2,45,20,318	Profit for the year brought from the Profit & Loss Account		2,46,23,047.69		
	Less: (i) Provision for bonus to				
1,29,00,000	staff	1,35,00,000.00			
	(ii) Transferred to Reserve Fund in terms of Sec. 3 (6) of the Banking Companies (Acquisition & Transfer of Undertakings)				
55,00,000	Act, 1970	50,00,000.00	1,85,00,000.00		
1,84,00,000					
61,20,318	Balance being amount to be transferred to Govt. in terms of Sec. 10 (7) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970			61,23,047	.69
	10. CONTINGENT LIABILITIES				
58,48,615	(i) Claims against the Bank not acknowledged as debts (See Note I)		1,39,52,762.39		
39,35,86,133	(ii) Moneys for which the Bank is contingently liable including:		41,62,06,036.04		
11,818	Guarantees on behalf of Officers		11,818.14		
38,81,24,315	Guarantees on behalf of Customers		41,05,76,217.90		
Nil	(iii) Bills of Exchange rediscounted		Nil		
10,55,53,508	(iv) Outstanding Forward Exchange Contracts		14,66,96,018.46		
76,25,000	(v) Liabilities for calls on Partly paid shares		77,40,000.00		
664,50,54,181				758,83,93,117	.19

Notes:

1. A writ petition has been filed in the High Court of Delhi by the Punjab National Bank Limited and three of its share-holders in November, 1970, claiming payment of ad-interim dividend of Rs 24 lacs sanctioned by their Board of Directors on 16.7.1969; the said claim has not been acknowledged as a debt and has not been included in the amount of Contingent Liabilities.
2. The affairs of Lahore and Karachi branches of the Bank have been in charge of the Custodian, Enemy Property, Pakistan. No returns having been received from these branches, it has not been possible to compute the Profit & Loss Account and the unaudited Balance-sheets as at 30-6-1965 have been incorporated in the accounts as on 31st December, 1972.
3. The inter-branch balances have not been reconciled. Steps are under-way to reconcile them.
4. In respect of a branch the branch auditors have not expressed an opinion on advances aggregating Rs 39.04 lacs, as they have not been able to examine the documents and as these are under investigation. These advances have been incorporated in the accounts on the basis of the classification made by the Bank.
5. In the case of some branches, the branch auditors have not been able to examine the documents in respect of some advances as they were not available for inspection at the branches at the time of branch audits. These advances have been incorporated in the accounts on the basis of the classification made by the Bank.

BANK

31st December, 1972

1971	PROPERTY & ASSETS				
Rs.			Rs. P.	Rs.	P.
652,77,55,942	Brought forward			746,72,22,9	66.43
	8. **PREMISES LESS DEPRECIATION:**				
	(a) Premises:				
1,59,55,052	Cost as on 1.1.1972		1,59,96,116.22		
41,064	Additions during the year		1,97,397.49		
1,59,96,116			1,61,93,513.71		
33,07,842	*Less*: Depreciation written off to date		35,71,096.83		
1,26,88,274			1,26,22,416.88		
4,77,900	(b) Buildings under construction		9,55,500.00		
	(c) Premises in respect of which execution of title deeds is pending:				
10,87,412	Cost as on 1.1.72	12,60,919.79			
1,73,508	Additions during the year	2,22,988.00			
12,60,920		14,83,907.79			
1,17,132	*Less*: Depreciation written off to date	1,64,050.08			
11,43,788			13,19,857.71		
1,43,09,962				1,48,97,774.59	
	9. **FURNITURE & FIXTURES LESS DEPRECIATION:**				
3,17,17,591	Cost as on 1.1.1972		3,59,48,550.08		
45,20,297	Additions during the year		54,60,177.54		
3,62,37,888			4,14,08,727.62		
2,89,338	*Less*: Deductions during the year		1,03,386.76		
3,59,48,550			4,13,05,340.86		
1,99,33,633	*Less*: Depreciation written off to date		2,25,70,035.11		
1,60,14,917				1,87,35,305.75	
	10. **OTHER ASSETS:**				
2,79,71,958	(a) Interest accrued and outstanding		4,07,51,778.31		
68,92,327	(b) Prepaid expenses, advance payments and amount recoverable		70,55,186,85		
5,48,879	(c) Property not used as Bank premises less depreciation		5,45,028.11		
10,27,457	(d) Library, Motor Cars, Cycles and other vehicles less depreciation		11,65,975.52		
39,48,543	(e) Stationery and Stamps		46,91,448.46		
92,75,750	(f) Amount paid for purchase of Trustee Securities		57,98,000.00		
3,72,91,446	(g) Advance payment of tax and tax deducted at source		2,75,12,653.17		
8,69,56,360				8,75,20,070.42	
	11. **NON-BANKING ASSETS (ACQUIRED IN SATISFACTION OF CLAIMS) (at or below cost)**				
17,000				17,000.00	
664,50,54,181				758,83,93,117.19	

6. At a few branches, the subsidiary records have not been reconciled with the control accounts. Steps are being taken to have these reconciled at an early date.

P.L. Tandon
Chairman
A.K. Dutt
A.S. Kahlon
B.M. Gogte
D.P. Chadha
I.S. Ahluwalia
M. Abdulla
M.M. Mahajan
V.M. Jakhade
Directors

ANNEXURE TO OUR REPORT OF DATE

For A.F. Ferguson & Co.
Chartered Accountants
V.K. Kalra
(Partner)

For M.C. Bhandari & Co.
Chartered Accountants
P.C. Surana
(Partner)

For Khanna & Annadhanam
Chartered Accountants
P.R. Khanna
(Partner)

G.D. Khanna
Sr. Chief, Fin. Admn.

B.K. Vora
Dy. General Manager

Sita Ram
General Manager

New Delhi
March 1973

PUNJAB NATIONAL BANK

Profit and Loss Account for the year Ended 31st December, 1972

INCOME

(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)

1971 Rs.		Rs.	P.
33,99,64,234	1. Interest and discount	40,29,65,692	.97
4,67,07,520	2. Commission, Exchange and Brokerage	4,98,13,572	.23
23,52,361	3. Rents	21,90,014	.13
16,13,777	4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	6,56,999	.19
Nil	5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	Nil	
Nil	6. Income from non-banking assets and profit from sale of or dealing with such assets	Nil	
Nil	7. Transfer fees	Nil	
39,06,37,892		45,56,26,278	.52

EXPENDITURE

Rs.		Rs.	P.
20,18,76,099	1. Interest paid on Deposits, Borrowings etc.	24,50,95,306	.37
13,19,37,093	2. Establishment Expenses (including Rs. 52,63,953.09 being contribution to Employees' Gratuity Fund Trust and Rs. 2,30,557.00 to Superannuation Fund Trust)	14,73,60,320	.68
65,875	3. Directors and Local Committee Members' Fees and Allowances	77,311	.45
1,12,16,012	4. Rent, Taxes, Insurance, Lighting etc.	1,36,87,630	.78
1,64,332	5. Law Charges	3,32,663	.58
47,30,474	6. Postage, Telegrams and Stamps	55,60,392	.67
3,98,250	7. Auditors' Fees	4,39,100	.00
34,72,894	8. Depreciation on and repairs to the Banking Company's property	40,41,052	.83
48,78,846	9. Stationery, Printing, Advertisement, etc.	50,99,263	.34
Nil	10. Loss from sale of or dealing with non-banking assets	Nil	
73,77,699	11. Other Expenditure	93,10,189	.13
2,45,20,318	12. Balance of Profit (after providing for taxation but before provision of bonus)	2,46,23,047	.69
39,06,37,892		45,56,26,278	.52

Notes: 1. Particulars of remuneration to Chief Executive of the Bank:

(i) Salary Rs. 86,000 (72,000.00) (ii) Contribution to Provident Fund Rs. 7,854.15 (Rs. 6,750.00) (iii) Contribution to Superannuation Fund Trust Rs. 9,900.00 (Rs. 10,800.00 (iv) Monetary value of the benefit of the use of a house (taken @12½ % of the salary as the Municipal Valuation is in dispute) and use of car calculated according to the Income-Tax Rules Rs. 11,000.00 (Rs. 12,000.00) (v) Medical Aid including insurance under Hospitalization Scheme Rs. 2,653.55 (Rs. 1,607.44) (vi) Monetary value of the benefit of SFF provided at the residence @ 10 % of the cost price Rs. 358.00 (NIL) -Total Rs. 1,17,765.70 (Rs. 1,03,157.44)

The above figures include four months salary and allowances paid to the former Chief Executive during leave preparatory to retirement. In addition, Gratuity of Rs. 75,000.00 has been sanctioned as payable to him by the Employees Grauity Fund Trust.

2. The amount shown against item No. 9—Stationery, Printing & Advertisement etc. include expenditure of Rs. 13,90,094.19 (Rs. 14,36,961.69) on Public Relations and Publicity.

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A.S. Kahlon
B.M. Gogte
D.P. Chadha
I.S. Ahluwalia
M. Abdulla
M.M. Mahajan
V.M. Jakhade
Directors

ANNEXURE TO OUR REPORT OF DATE

For A.F. Ferguson & Co.
Chartered Accountants
V.K. Kalra
(Partner)

For M.C. Bhandari & Co.
Chartered Accountants
P.C. Surana
(Partner)

For Khanna & Annadhanam
Chartered Accountants
P.R. Khanna
(Partner)

New Delhi
May 7, 1973

G.D. Khanna
Sr. Chief
Fin. Admn.

B.K. Vora
Dy. General
Manager

Sita Ram
General
Manager

PUNJAB NATIONAL BANK

Schedule of Particulars
Required by the Banking Regulation Act, 1949 (Act X of 1949)
attached to and forming part of the Balance Sheet as at 31st December, 1972

1971		PARTICULARS OF ADVANCES		
Rs.				Rs. P.
287,78,36,425	(i)	Debts considered good in respect of which the Bank is fully secured		269,25,00,122.12
11,52,68,771	(ii)	Debts considered good for which the Bank holds no other security than the debtor's personal security		11,97,06,933.22
42,60,76,600	(iii)	Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		45,33,01,375.03
Nil	(iv)	Debts considered doubtful or bad not provided for		Nil
341,91,81,796				326,55,08,430.37
	(v)	Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons:		
11,599		Directors	Nil	
70,17,599		Officers	90,82,066.50	
70,29,198				90,82,066.50
Nil	(vi)	Debts due by Companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of private companies, as members		5,52,809.51
	(vii)	Maximum total amount of advances including temporary advances made at any time during the year to Directors, Managers or Officers of the Bank or any of them either severally or jointly with any other persons:		
41,899		Directors	16,679.13	
70,17,599		Officers	90,82,066.50	
70,59,498				90,98,745.63
Nil	(viii)	Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of private companies, as members		10,18,324.51
1,26,79,201	(ix)	Due from Banking Companies and Nationalised Banks		1,52,80,452.41

P.L. Tandon
Chairman
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Chartered Accountants
P.R. Khanna
(Partner)

G.D. Khanna, Sr. Chief, Fin. Admn.
B.K. Vora, Dy. General Manager
Sita Ram, General Manager

New Delhi
May 7, 1973

AUDITORS' REPORT

The President of India:

We have audited the attached Balance Sheet of Punjab National Bank as at 31st December, 1972 and also the attached Profit and Loss Account of the Bank for the year ended upon that date in which are incorporated the returns of 34 branches audited by us, 423 branches audited by other auditors, the unaudited returns as at 30.6.1965 of the Pakistan branches (see note 2) and the unaudited returns in respect of 461 branches not visited by us. The branches to be audited by us and the branches to be audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the bank by the Reserve Bank of India.

2. The Balance Sheet and Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the third schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of Banking Companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph and subject to the adjustments, if any, arising from settlement of issues stated in notes 3, 4, 5 and 6 of the Balance Sheet, we report that:

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank:

  (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1972;

  (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

(d) The returns received from the branches of the Bank (except for Pakistan branches—see note 2) have been found adequate for the purposes of our audit.

	For A.F. Ferguson & Co. Chartered Accountants V.K. Kalra (Partner)	For M.C. Bhandari & Co. Chartered Accountants P.C. Surana (Partner)	For Khanna & Annadhanam Chartered Accountants P.R. Khanna (Partner)
New Delhi May 7, 1973			

MOVING FINGER

An air crash kills fier-cely and spectacularly. Hence its emotional impact is often out of all proportion to its physical consequences. Nevertheless it is right that public sentiment should be exercised over the tragedy in the night skies over Palam airport on Thursday last week. Newspapers in the capital have gone to town speculating wildly on what might have caused the disaster. Some of them, exhibiting more than a little immaturity, have chosen not to wait for the findings of the court of inquiry which has been set up. On the contrary, they have lost no time in asserting that a lack of proper or adequate navigational aids at the Palam airport is to be blamed.

I would not however be too critical of these newspapers. After all, the fact that the minister for Civil Aviation, returning briefly from a tour abroad, has asked an official team under the secretary of his ministry to undertake a quick review of the equipment at the control tower of the Palam airport, does show that the apprehensions voiced in the press about the inadequacies of the airport may not wholly unwarranted. A question that must be asked in this context and answered here and now is whether Dr Karan Singh is to be allowed to get away with the idea that he has done his duty by the dead by ordering this investigation. Not very long ago he staged, with the connivance of the prime minister, the farce of a make-believe resignation over the crashing of an Avro aircraft over Hyderabad. If it is really the case that Dr Karan Singh is sensitive to the responsibilities of his portfolio, the crash of the Indian Airlines' Boeing 737 over Palam must surely have compelled him to consider whether he can stay on as minister for Civil Aviation with decency, let alone dignity.

I am saying this delibe-rately because I am convinced that this air crash or even what may have led to it is but a symptom of a disease which has been steadily eating into the vitals of civil aviation in this country. I have never made a secret of my belief that the minister for Civil Aviation has been a lousy administrator and has allowed Indian Airlines to go to seed by his failure to maintain a certain degree of basic discipline in its operations. Last month I was doing a certain amount of travelling by air in southern and eastern India and it was but rarely that I found the scheduled flights, on which I was booked, taking off according to the time-table. One explanation I was often offered was that the airlines did not have a sufficient number of planes for operating all its scheduled flights. I wonder whether the apologists concerned realise it at all that what they were saying amounted, in effect, to a confession that, by publishing a time-table which it was in no position to honour, Indian Airlines was committing a fraud on those who would use its services.

They must be even less conscious, I suppose, of the possibility that, when scheduled flights are delayed or missed more or less regularly, a wave of demoralization is bound to sweep over the entire range of the airlines' operations or personnel. It seems to me that our newspapers need not wait for an air crash, involving the loss of many lives, to be noisily concerned over the inadequacies of the ministry of Civil Aviation. On the contrary, every delayed or cancelled flight must be noted down as evidence suggesting laxity in some aspect or the other of the operation of the air services. It is only when continuous interest is shown by a vigilant public in this manner that standards of efficiency could be established firmly enough for the hazards of air travel to be reduced to a minimum. So far as I am concerned, the first step the prime minister ought to take in rehabilitating Indian Airlines in the confidence of the public and the Civil Aviation ministry in the esteem of the country is the appointment of a new minister for this portfolio.

Staying for about a week in Visakhapatnam, I had an opportunity of participating in a five-day seminar on "International Trade, Commercial Policy and Multi-National Enterprise—Contemporary Issues in World Economy" organized last month by the Department of Commerce and Business Administration, Andhra University, at Waltair in co-operation with the United States Information Service, New Delhi. Three economists from the United States, Dr Ingo Walter and Dr Robert G. Hawkins of New York University and Dr H. Peter Gray of Rutgers University, had come to India to lead the discussions at the seminar. On the Indian side there were over 20 delegates, among whom were many economists engaged in teaching or research or both. While age and experience were given due representation in this group, youth was very much to the fore.

The visiting professors from the United States were obviously keen on maintaining high standards of academic discussion; Dr Ingo Walter, in particular, imparted a quality of distinction to the seminar by the depth of his analysis and the elegance of his exposition. Both he and Dr Hawkins were particularly strong on presenting lucidly the factors and forces acting on the decision-making processes in the United States in such areas as the shaping of commercial policy or the formulation of national attitudes towards multi-national enterprises. Dr Ingo Walter, who seems to have made a special study of environmental issues, was particularly impressive when he attempted to indicate how international trade or national commercial policies might be influenced or affected by the growing concern in advanced countries over industrial pollution and the steps that the governments of those countries are taking or may take for protecting environment. Dr Peter Gray, who has specialised in the economics of tourism, has an attractive way of presenting his views and an ability to communicate his enthusiasms to his audience.

Among the more scholarly participants on the Indian side were Prof. J.K. Irani, Head of the Department of Commerce, University of Mysore, Prof. R.L. Varshney, Joint Director, Indian Institute of Foreign Trade, New Delhi, and Dr H.K. Mazumdar, Senior Fellow, Institute for Social and Economic Change, Bangalore. Prof S.S Mehta of the Indian Institute of Foreign Trade impressed by his forthrightness, Prof A.J. Prasad, Administrative Staff College of India, Hyderabad, by his penchant for looking at things differently and Mr L.S. Sarma of the Industrial Development Bank of India, Bombay, by his earnestness. Prof K.V. Sivayya, Head of the Department of Commerce and Business Administration, Andhra University, who was the moving spirit behind the seminar, may perhaps be able to organize the next one better. But this need not necessarily mean that that one would be a better seminar as this one was a very good one indeed.

VB

BOOKS BRIEFLY

Reviewed by
Academicus

US aid: boon or bane?

Impact of American Aid on Indian Economy: A.K. Singh; Vora & Co. Publishers Private Ltd, Bombay; Pp 175; Price Rs 16.

Small Industry in Indian Economic Growth: M.A. Oommen; Research Publications in Social Sciences, Delhi; Pp 193; Price Rs 20.

25 Years of Indian Independence: Edited by Jag Mohan; Vikas Publishing House Pvt. Ltd; Pp 343; Price Rs 35.

Law and Practice Relating to Lay-Off, Retrenchment and Closures: V.B. Arya; Oxford & IBH Publishing Co; Pp 95; Price Rs 16.

Two Decades of Development: V.V. Bhat; Vora & Co, Publishers Pvt. Ltd, Bombay; Pp. 107; Price Rs 16.

Prices, Markets and Welfare: David Collard; Faber & Faber, London; Pp 210; Price £1.75.

It has become a fashion today in certain quarters to condemn everything that is American or associated with America. It will not therefore come as a surprise to most if the impact of American aid in the past is belittled. But this is not the path of wisdom and the statesman will have to look much ahead than a mere politician. It would therefore be rewarding to read *Impact Of American Aid on Indian Economy* to remind ourself of the significant role which American aid has played since independence in our country.

function of investment

Transformation of a static subsistence economy into a modern dynamic economy with self-generating growth is a function of huge investment and heavy imports. Foreign exchange availability thus becomes a necessary condition for economic growth. For a developing country just on the road to industrialisation earning of enough foreign exchange funds through exports or private foreign investment has clear limitations. Import substitution at this stage has also its severe limits. And hence the significance of foreign aid in one form or another.

Total aid received by India (in the form grants, loans and technical assistance at official level) during 1951 to 1971 amounted to Rs 9240 crores of which the US share is Rs 4776 crores. The USA has always occupied the top place in the list of donors. The US aid has always remained more than the combined aid from all other sources, *i.e.* 63.3 per cent in the first Plan, 54.8 per cent in the second Plan, 38.5 per cent in the third Plan and 52.4 per cent during the Annual Plan period. However during the first two years of the fourth Plan, the US has provided only 41 per cent of the total aid from all sources.

terms of aid

It would be interesting to have a look at the terms of aid, especially in a comparative way. The terms of the US loans have remained soft although there has been a gradual hardening in regard to interest rate. As far as the period of repayment is concerned, the US allows 40 years which is only second to IDA loans. Compared to this the USSR allows only 12 years and the UK and West Germany give 25 years. Also grace period allowed by the US is 10 years as compared to 1 year allowed by the USSR, and seven years by the UK and West Germany. In terms of rate of interest the US loans carry 0.75 to 2.5 per cent while the USSR and West Germany charge 2.5 and 3 per cent respectively. Of course there are some exceptions like the interest free loans from the UK. This means that the US may be said to have offered aid on comparatively soft terms. It is significant to note that only 39.8 per cent of the total US aid to India during 1951-71 involves repayment in foreign exchange and this makes the assistance less burdensome. A major portion of the US aid *i.e* 42.6 per cent is repayable in rupees. Again about 12.9 per cent of the total US aid represents grants. Technical assistance accounted for about 6 per cent of the total aid flow from the US during 1951-71.

What about the impact of the US aid on Indian economy? Instead of '*ad hocism*' of the former years, since 1966 a new approach was adopted by the US with regard to Indian agriculture. The idea was to make India self-sufficient in foodgrains. The US assistance to the Indian agricultural sector envelopes a wide range of growth activities such as establishing agricultural universities, supplying fertilisers, establishing new fertiliser plants, training agricultural teachers, breeding and popularising improved seeds, providing irrigational facilities and promoting agricultural research. Total US aid to Indian agriculture excluding fertilizers supplied through non-project aid came to Rs 802 crores till March 1971. Of the total planned outlays on irrigation and flood control during 1951-71, about 17 per cent was contributed by the US aid programme.

India's drive to develop her industrial sector also received massive support from the US during 1951-71. Numerous industrial projects received US aid in the form of machinery, spare parts, raw materials and technical know-how. During this period the US aid to India's industrial sector amounted to Rs 1333.6 crores which was about 19 per cent of the total investment of Rs 7150 crores in this sector.

providing infrastructure

Further, the US has assigned a substantial portion of its aid to the development of infrastructure *i.e.* for the development of power, transport and communications. Of the total investment during 1951-71 in this sector, the US contributed about 11 per cent. The US aid to the development of social overheads, especially education had been substantial, being about 13.6 per cent of the total investment in the sector during the period.

It is often said that the impact of the PL 480 on Indian agriculture was adverse. The author however does not think so. The PL 480 funds were made available to the government of India for expenditure on development projects, except a small portion used by the US embassy in India. Thus PL 480 funds contributed 11.7, 10 and 12 per cent to the total public sector outlays during the second, third and annual Plans respectively. During 1969-71 also it contributed 5.4 per cent to the pub-

lic sector outlays. It can therefore be emphatically asserted that increase in investment, national income and employment would have been less in the absence of PL 480 resources.

One of the main contributions of PL 480 programme to the Indian economy is that it has assisted India in minimising to some extent the strains of foreign exchange shortage which is a important constraint on development. Viewed from a different angle the probable loss in our foreign exchange earnings in the absence of the PL 480 arrangements would have been about 17 per cent of India's actual export earnings during 1951-71. A diversion of foreign exchange of this magnitude for food imports would have certainly resulted in more than proportionate fall in the rate of growth of the economy. It must be conceded, according to the author, that the PL 480 programme has overall inflationary impact of deficit financing in Indian plans by keeping the food prices under check. It increased the per capita consumption of cereals and saved millions of Indians from starvation. The author does not agree that the PL 480 programme had adverse effects on Indian agriculture. This is obvious from the fact that compared to 1951 food production in India practically doubled in 1971 and foodgrains prices have been continually rising since 1956. But he has warned that in future when PL 480 imports stop and if the nation is unable to increase domestic supplies, the danger of galloping inflation is imminent. According to him the precautionary measures include proper phasing of the PL 480 balance for expenditure on US uses under an agreement, or complete freezing of the balance by mutual agreement or alternatively putting restrictions on its use till India reaches the stage of stable growth and surplus budgets.

impact of aid

Besides quantatitive dimensions of the impact of external assistance, the US aid components reveal that introduction of new technology, managerial techniques and emergence of non-traditional products went a long way in creating a healthy demonstration effect and consciousness in regard to growth and change.

The author has also pointed out that the US aid mainly went to the public sector and only a small share to the private sector. The US aid also broadly followed the priorities fixed in plans. This means, according to the author the allegation that the US aid disturbed the pattern of sectoral allocation of resources appears unwarranted.

In these days when all that USA does is painted in black and the hand of CIA is seen everywhere in India, it is good to be reminded by A.K. Singh that the USA was the major country between 1951-71 in putting us on way to development. Why USA reversed that role should lead us to introspection than mere condemnation of US administration. Such an approach would be more beneficial from the national point of view.

SMALL INDUSTRY

In his *Small Industry in Indian Economic Growth*, M. A. Oommen has made an attempt to examine the role of small-scale industries in the economic development of Kerala. The development of the small-scale sector is planned with a view to achieve certain socio-economic objectives. The major development programmes which have been subjected to investigation in this book are (1) the modernisation of the traditional sector, (2) the industrial estate programme, (3) the rural industries project, and (4) the special programmes of assistance, namely financing, marketing and services.

The author has studied the programme of modernisation of traditional techniques with reference to coir and handloom industries. The author has reached the conclusion that though in terms of growth factors there is a strong case for processes which are more capital-intensive as they generate a higher rate of surplus, the main difficulty in the adoption of the machines seems to be displacement of labour. The author therefore opines that though unemployment will be reduced in the long run with expansion of industries, the introduction of modern techniques has to be gradual.

The study of the industrial estates programme in Kerala has brought out both the potentialities as also the weaknesses in the present set up. According to the author, the failure of the industrial estates programme to fulfil the objectives of planners has been mainly due to "bad planning, lack of assessment of potential resources available, the failure to assess carefully the economic viability and engineering feasibility of estates before they were started, etc." The objective of creating more output and employment per unit of capital invested has not been achieved. Nor have the industrial estates in Kerala succeeded in making maximum use of local resources, except in the case of timber-based and rubber-based industries. Also the rich reservoir of indigenous skills has not been fully utilised. But according to the author the performance in respect of mobilisation of local savings is encouraging. There is no doubt that a more sustained drive is needed to increase private investments by able entrepreneurs in these industrial estates to make a success of them.

As regards the working of the rural industries project in Kerala, the author is of the opinion that this is an important plank in the small industry development programme with a pronounced emphasis on balanced and dispersed industrial growth and the programme on the whole has given a good account of itself.

As regards the provision of various services, the author is of the opinion that the government as a financial agency to small-scale industries in Kerala has not been very successful, the credit given being by and large inadequate and not timely. Maldistribution and misdirecton of finance have not been uncommon nor is there effective supervision of credit that is given. Though the record of the state finance corporation is fairly satisfactory, no attempt has been made to develop new and nascent industries as part of a broader plan of industrialisation. The National Small Industries Corporation while helping more than 500 small-scale firms in the state has made no concerted attempt to stimulate growth in less developed areas of the state, though that has been one of the avowed objectives of that institution. The co-operative urban banks have not helped small-scale industries much. The marketing assistance programme has not made much headway in the state. The consultancy agency has been working with inadequate technical personnel and research facilities and the training programme for workers and managers does not seem to have improved much the productivity of the small-scale firms in the state. No serious effort has been made in Kerala to foster entrepreneurship as part of the strategy of industrial growth in the state.

role in the economy

There is no doubt that Indian planners have correctly appreciated the place of small-scale industries sector in the Indian economy. But it is on the executive side that the failure is marked in practically every state because what the author has found in Kerala happens to hold good for other states also. If the small-scale industries sector is to be made to play a dynamic role, the state government and a host of financial, marketing and technical institutions that have been established at the state and central level will have to work in concert and with greater energy and zest than has been manifested so far. Since mere generalities are hardly of any use, similar studies, possibly even in respect of each small-scale industry will have to be undertaken in each state. Only policies based on such deailed studies can hope to

succeed. This critical study by M. A. Oommen has shown the way.

INDIA SINCE INDEPENDENCE

On that memorable midnight of August 14-15, 1947, Jawaharlal Nehru said, "Long years ago we made a tryst with destiny and now the time has come when we shall redeem our pledge. . . . . .when the world sleeps, India will awake to life and freedom." Twenty-five years later on independence day on August 14-15, 1972, President V.V. Giri observed: "We can claim in all humility that despite extreme stress and strain we have emerged today as a stable, well-known and self-reliant nation." On August 15, 1972, prime minister Indira Gandhi declared: "During the last twenty-five years we have covered a long journey, a journey of comforts and hardships, difficulties and dangers, but as you know India of today is stronger than even before, our democracy is stronger, our resolution is firmer and unity is also stronger than before." Quarter century is a fairly long period in the life of an individual and those who witnessed both the occasions of achievement of Independence in August 1947 and its silver jubilee of 1972 are bound to be reminiscent and recollect the history of this eventful quarter century through which they have passed or in which some of them have actively participated.

Twentyfive Years of Indian Independence brings back in retrospect the developments in the quarter century with a certain amount of detachment.

We recollect that if Gandhiji made us men and women out of dust, it was left to Jawaharlal Nehru to make us stand upright as Indians, feel proud of our heritage and be conscious of determining our destiny as democrats, as socialists, as secularists and as non-aligned people in a world of warring blocs. If Jawaharlal had been a man of clay (as Winston Churchill said of him then) the history of contemporary India would have been vastly different. To imagine what course Indian history would have taken without such an enlightened leader with a grand vision, we have only to recall what happened in Burma, Ceylon, Ghana, Indonesia, Algeria, Vietnam and above all Pakistan which in 1973 is still on the job of getting its Islamic constitution !

At the time we attained our freedom, we were overwhelmed by problems galore —the Kashmir problem, the problem of 600 and odd princely states, of the refugees, the problem of direction which the country was to take and above all the problem of poverty of the masses which people thought could be quickly solved once the British masters were driven away.

The country adopted democratic constitution and through democratic means we have been trying to solve the problem of poverty. Though by now we are familiar with the dynamics and mechanics of democracy, we have also become aware of the evils accompanying democratic system in an underdeveloped country like India. Our preoccupation with socialism which started nearly half a century ago is being sabotaged by vested interests not only from outside but from within the Congress party itself. And yet the march towards socialism goes on with ten-point programme, nationalisation of major commercial banks, abolition of privy purses, the takeover of general insurance, coal mines, wholesale trading in wheat, state trading in exports and imports and in foodgrains and emphasis on co-operatives, all intended to transform a traditional Indian society into a socialist forward looking community.

There was an outburst of human energy in India after Independence not only in the economic sphere which receives lion's share of attention but also in the spheres of art, theatre, music film, literature, sports and education. As we go through the pages of this excellent book, we live again the twentyfive years of our independence. It is a record of many-splendoured mosaic of India's achievements.

We are thick in the battle and confronted as we are by rising prices, increasing misery of the masses and setbacks in agriculture and industries and shortages all around, we are likely to loss our perspective. Mr Jag Mohan, the editor of this book, has done a great job by bringing before our eyes the march of Indian history since our Independence and thus helping us to restore our sense of perspective.

INDUSTRIAL LAW

The purpose of the small booklet *Law And Practice Relating To Lay-Off, Retrenchment And Closures* which has gone into its second edition is to present an integrated analysis of the legal and practical aspects of lay-off, retrenchment and closures as also of the rights and obligations of employers and employees under those circumstances. The author has also made an attempt in this book to point out the correct procedure to be followed by employers when faced with the problem of surplus employees.

The author has pointed out that the relationship of employer and employee is essentially the creation of contract of employment between them. This relationship can normally be terminated by employer in two ways: (1) dismissal or discharge, and (2) discharge otherwise than as a punishment.

In case of employees employed in commerce, trade and industry, an employer has to follow an elaborate procedure for dismissing his worker by way of punishment. The procedure regulating the right of an employer to punish his employees for acts of misconduct is not prescribed by statute but has been evolved as a result of decisions of labour courts and tribunals so as to protect employees against vindictive and capricious action on the part of employers.

statutory obligations

The Industrial Disputes Act provides that in case of a temporary surplus of employees, the employer cannot terminate their services or retrench them but only lay them off, that is only suspend them for the time being. He is also to pay lay-off compensation to them and when the temporary crisis is over to restore employment to them on full wages. The importance of this clause to employees can very well be appreciated.

Statutorily lay-off is defined as failure, refusal or inability of an employer to give employment to a workman who is on the muster roll, on account of shortage of coal or power or raw materials or accumulation of stock or breakdown of machinery or for any other similar reason. The statutory provisions with regard to lay-off impose a certain obligation upon the employer and confer a certain right on the employee. The obligation is that the employer is bound to continue the services of the employee during the period of lay-off paying him during the period of lay-off, not full wages but compensation provided in the act. As regards whether a lay-off at any point of time is proper and legal, a tribunal would be entitled to enquire into the question of *bonafides* of lay-off. If *malafides* of the employer is proved, the worker would be entitled to full wages during the period of lay-off. The same is true in regard to lay-off to victimise workmen.

There is a fundamental difference between lay-off and a lock-out. Whereas a lock-out is an act of belligerency on the part of an employer, its intention being to coerce the employees, lay-off is an economy measure actuated by trade reasons. Also while lay-off occurs in a continuing concern, affecting only some workers, in case of lock-out the employers lock-out the whole body of workmen.

Lay-off compensation is not payable

where the lay-off provisions are not applicable as for example to commercial establishments or where a workman is guilty of some act of commission or ommission and where a workman is not entitled to lay-off compensation due to nature of work as in seasonally operated factories, etc. It should be noted that the laid-off worker should present himself for working even during the period of lay-off once a day to be entitled to compensation. A badali or casual workman is not entitled to lay-off compensation.

termination of service

Retrenchment means the termination by the employer of the service of a workman for any reason whatsoever, otherwise than as punishment by way of disciplinary action. The act provides that at the time of retrenchment, the workman should be paid compensation at the rate of 15 days' average pay for every completed year of service or part thereof in excess of six months. The act also lays down certain conditions pertaining to period of notice, amount of compensation, etc., which must be fulfilled before effecting retrenchment. Generally the rule to be followed in case of retrenchment is 'last come, first go'. But this rule is not immutable. But the departure from the rule will have to be justified, if challenged. If employment opportunities appear, retrenched workmen have the first preference over others. Naturally the act provides an elaborate machinery to check all these developments in a factory.

What about the transfer of ownership or closure of business? When an undertaking changes hands from one employer to another, every workman with a continuous service of one year or more in that establishment is entitled to notice and compensation as in the case of retrenchment. Also statutory right has been given to workmen to get compensation even in cases of closing down of undertakings for any reason.

This monograph written in a simple and lucid style can be followed with profit by factory managers and trade union leaders even if they do not have legal background. With the increasing legal complexities, there is no doubt that this excellent monograph will be found useful by managers, personnel officers and lawyers. Mr Arya by his recent additions to this subject (some of which have already been reviewed in these columns) has earned gratitude of many from the industrial establishments.

DETACHED APPRAISAL

Writings by V. V. Bhatt who has been for long associated with the functioning of the financial system in India should immediately and rightly command respect.

The author in his *Two Decades Of Development* has made an attempt at critical appraisal of development performance in India during the last two decades and what is more significant indicated the areas for policy action in the light of her current situation and problems.

So far as the appraisal part is concerned the author has given a broad appraisal of development strategy, of plan process and policies, and of the basic weaknesses in the planning experiment. The author feels that the fragmentary and isolated decsion-making based on a partial and limited view of the economy has failed to lead to a harmonious blending of various policies. The result has been shortfall in achievements in all the major sectors. All this has been repeated almost *ad nauseam* in innumerable treatises, research papers and books by Indian and foreign authors many of which have been reviewed in these columns. Bhatt has nothing much original to say in this regard which therefore is hardly likely to catch the attention of a critical reader. But it is when the author begins to discuss the areas for policy action that the discussion becomes something new and hence extremely absorbing. It would therefore be instructive to concentrate only on that part of the book.

proper selection

One suggestion which Bhatt has made is that enough attention must be paid to the vital task of selection and formulation of project and project complexes. Additional investment both to push up production and to create employment opportunities means availability of soundly worked-out projects. If they are not readily available, even the availability of resources and rapid growth especially in the agricultural sector would not tend to raise the investment rate to the desired level. So far, according to the author this aspect of project work and industrial efficiency has been neglected and therefore urgent action is essential in this field.

It is in regard to tax policy that the author has something really new to say. He feels that a large number of *ad hoc* changes each year create a climate of uncertainty which hampers production efforts and diverts scarce resources in speculative and other undesirable channels. The author has made some valuable suggestions in regard to taxation policy and resource mobilisation.

He has suggested that the tax base for personal income-tax should be not total income but total income plus capital gains minus net change in the average of holdings of financial assets. These financial assets comprise bank deposits, small saving instruments, insurance policies, provident fund, and claims on private sector and government. All these savings with no upper limit should be deducted from income for income-tax purposes. Income-tax on the remaining income can be sharply progressive and still the incentive to save and work would not be adversely affected.

co-ordinated pattern

Private fortunes could be built up but their effect can be offset by a properly coordinated pattern of other direct taxes like wealth tax, inheritance tax and gift tax. The merit of the authors suggestion is that there would be no incentive to evade income-tax as all savings in the form of financial assets would be exempt from tax. Also the reform is administratively quite simple. This proposal of income-tax reform has several distinct advantages. It would raise the rate of overall saving as also investment, it would raise the proportion financial saving to total saving and bring within the purview of policy instruments for resource allocation a larger part of total saving. To the extent to which financial savings do not increase, there would be additional tax receipts. Tax receipts would also increase as the proposed tax exemption for financial savings might induce tax evaders to show their correct income.

As regards corporation tax, the author is of the opinion that present progression in the corporation tax is actually a tax on efficiency tending to discourage efficiency in the use of capital resources. The author therefore recommends that the tax rate on corporate profits should be made uniformly applicable to all companies and the rate fixed at 45 per cent of taxable profits. Further, the untenable distinction between closely-held companies and the rest should be abolished as argued so well by Bhoothalingam. The tax exemption of 8 per cent of income for the priority sectors should be abolished. The development rebate reserve and tax holiday incentives should be very selectively applied to only a few industries and for specific backward areas and that too only for a stated period of time. Every five years the industries and backward areas to be given these incentives should be changed in the context of national priorities. With these proposed changes, the author is of the opinion that the actual tax receipts would increase from 37 per cent to 45 per cent of profits. Also the corporation tax should be used to promote productive efficiency and to promote exports. The author has suggested that each percentage point increase in the rate of profit above 20 per cent should mean one percentage point decline in the

tax rate. To promote export and import-substitution, each percentage point increase in the net export ratio should mean one percentage point decline in the tax rate.

As regards central excise, at present about 65 specific commodities bear excise duties ranging from four per cent on caustic soda to over 300 per cent on motorspirit and high-speed diesel oil. According to the author, it is worth noting that more than 60 per cent of the central excise revenue is derived from only seven commodities: tea, coffee, sugar, tobacco, cigarettes, matches and mineral oils and their products. The author has recommended that excepting on the above-mentioned seven commodities, the present excise duties on rest of the commodities should be abolished. The collection costs then would be much smaller and the unwieldy excise staff released to perform more productive tasks.

improving profitability

As regards public sector management, according to the author, it has to be oriented towards improving the profitability of the projects so as to attain a rate of return of 20 per cent or so per year.

In regard to gold hoarding the author has a revolutionary suggestion. It is difficult to change people's attitude to gold especially in the short run so that gold would continues to be imported and sold in the domestic market. The author therefore has recommended an educational policy together with (*a*) stable real returns on savings, (*b*) availability of financial instrument suited to the preference pattern of savers, (*c*) stability in the price level of basic consumption goods, and (*d*) tax measures which discriminate in favour of saving and investment in financial assets. These measures will reduce basic demand for gold. These are long-term measures. Since in the short run this demand will persist, it would be desirable to meet this demand (instead of turning a blind eye to it) by government import of gold. This would enable the government to realise the surplus in gold trade and prevent these surpluses going into a few private hands. According to the author gold import on government account would not imply a net foreign exchange loss for the government, if the remittances of Indians abroad are secured for the official sector via a preferential exchange rate policy for such purposes. The net result would be a diversion of profits in gold trade to the public sector. This source of funds needs to be tapped assiduously and diligently.

In view of Raj Committee's recommendations in regard to agricultural income-tax, it is instructive to note that according Bhatt a progressive surcharge on land revenue based on land holding and yields per hectare can be operated with much less administrative costs and much more rationality than an agricultural income-tax. If there is political opposition to the above measure, the author has proposed (*a*) a ceiling on land-holding in areas of assured rainfall and irrigation, (*b*) fairly high excise duties on agricultural inputs likely to be used by the beneficiaries of the new agricultural strategy, (*c*) withdrawal of subsidies and other concessions in these areas, and (*d*) stability, if not reduction in the procurement prices fixed by the Food Corporation of India. One is inclined to prefer these recommendations to Raj Committee's recommendations as they are administratively more feasible and politically likely to meet less opposition.

Indian tax system has grown since the British days in a haphazard manner and that trend continues even today, the government resorting to *ad hocism* in spite of various commissions and committees, the government never accepting their recommendations in toto but giving effect to only certain clauses suitable to them. Granting the sincerity of the government to do its best to mobilise resources, the suggestions put forward by V. V. Bhatt are eminently suitable especially as they do not require much political manoeuvring and drastic administrative adjustments.

A THEORETICAL ANALYSIS

David Collard has analysed in his book *Prices, Markets And Welfare*, the relationship between price theory and economic policy. But it needs to be noted that this is neither a textbook on price theory nor a guidebook for applied economics. But according to the author in textbooks placed in the hands of beginners generally separation is effected between analysis of theory and of policy. The author rightly feels that it would be better if at an early stage of a student's career theoretical analysis is carried on with greater attention to policy implications and simultaneously if policy analysis is carried on with emphasis on theoretical underpinnings of the issues in question. Students as also non-specialists will certainly gain from such a treatment.

The book falls into three main parts. Part one is concerned in one way or another with problems of competition. The author has analysed topics such as: What is competition? How do the laws of supply and demand work? Is competition efficient? Is it desirable?

The author has rightly pointed out that the conditions of perfect competition (such as homogeneous units of a commodity, innumerable buyers and sellers, absence of transport costs, certainty about present market price and firm expectations about future prices, each firm facing a rising curve of marginal costs, just distribution of income, etc., etc.) are all contentious and some positively unreal. But the welfare economists have a love-hate relationship with competitive model. Perfect competition can be shown to lead to efficiency; but real world competition is not perfect and therefore one cannot at all be sure that it is efficient let alone optimal. This means according to the author "the competitive model can be shown to establish *a prima facie* case against laissez-faire." Equally important, it can be shown that the neo-classical liberal solution which attempts a clearcut separation of efficiency from redistributional questions cannot be sustained.

In the next two parts the author has convincingly shown that "The market place is a thing not to be revered or despised but to be used." "Market mechanism is attractive as a decentralised device in taking decisions in a more or less efficient way; but it is repulsive in that it ignores wider social objectives and, when



left alone, develops unpleasant monopolistic characteristics."

The treatment in this book is simple and extremely lucid and a book such as this which combines usefully theoretical analysis with policy implications and analysis of actual problems against theoretical background will surely generate interest in the subject in the minds of beginners. It is fervently hoped that the Indian textbook writers will adopt some such style to make books on economics more absorbing and useful.

Books Received

Financing Asset Replacement: A Study and Analysis of Some Factors: M.S. Srinivasan; The Institute of Cost and Works, Accountants of India, 12, Sudder Street, Calcutta-16; Pp. 39; Price Rs 10.

Society in Conflict: G. Hardy; Reform Publishing Co., Box 78, P.O. Carnegie, VIC, 3163, Australia; Pp. 184.

Who's Who in India: Edited by H. Kothari; Published by Kothari Publications, 12, India Exchange Place, Calcutta-1; Pp. 464; Price Rs 50.

Directory of Basic Drugs and Intermediates Manufacturers: Published by the All-India Manufacturers' Organization, Fourth Floor, Jeevan Sahakar, Sir P.M. Road, Fort, Bombay-1; Pp. 74.

Proceedings of All-India Seminar on Research and Development in the Chemical Industry: Published by the All-India Manufacturers' Organization, Jeevan Sahakar, Sir P.M. Road, Fort, Bombay-1; Pp. 120.

Bankers' Handbook on the Small-Scale Industry: Anil Hattangidi; IBH Publishing Company, 12, Hassa Mahal, Dalamal Park, 223, Cuffe Parade, Bombay-5; Pp. 198; Price Rs 10.

Getting Along Better with People: M.K. Rustomji; IBH Publishing Company; Pp. 136; Price Rs 7.50.

Reforms of the Indian Banking System: Edited by S.L.N. Simbha; Orient Longman Ltd, 36-A, Anna Salai, Mount Road, Madras-2; Pp. 400; Price Rs 45.

Accounting for Management: G.N. Murthy; Sindhu Publications Private Ltd, Hind Rajasthan Chambers, 6, Oak Lane, Fort, Bombay-1; Pp. 259; Price Rs 25.

Impact of the New Production Possibilities on the Structure of International Trade in Agricultural Products: Eric M. Ojala; Food Research Institute, Standford University, Standford, California, USA; Price $ 1.00.

Operations Research in Banking (Commerce Pamphlet): Tushar K. Das; Published by D.B. Mahatme for *Commerce* (1935) Ltd, Manek Mahal, Sixth floor, 90 Veer Nariman Road, Bombay 400020; Pp. 27; Price single copy Rs 1.50; Annual Subscription Rs 15.

Indias A Reference Annual 1973; Compiled by the Research and Reference Division of the Ministry of Information and Broad casting; Published by the Director, Publications Division, Ministry of Information and Broadcasting, Patiala House, New Delhi-1; Pp. 463; Price Rs 10.

The Handbook of Petro-Chemicals and Products (Fourth Edition): Published by A.K. Madan, Chief of Statistics Division, Petroleum Information Service, 22, Pusa Road, New Delhi-5; Pp. 268; Price Rs 8.

The Choice of Agricultural Strategy and the Development of Manufacturing: Peter Kilby and Bruce F. Johnston; Food Research Institute, Standford University, Standford, California, USA; Price US $ 1.00.

Strategies for Agricultural Development: Vernon W. Ruttan and Yujiro Hayami; Standford University, Standford, California, USA; Price US $ 1.25.

Perspectives of Economic Development: Amlan Datta; The Macmillan Company of India Ltd., 6 Patullo Road, Madras 600002; Pp. 246; Price Rs 25.

Poverty in India, Then and Now: 1870-1970: M.L. Dantwala; The Macmillan Company of India Ltd, Pp. 67; Price Rs 12.50.

Builders of Modern India—Mahadeo Govind Ranade: P.J. Jagirdar; Publications Division; Ministry of Information and Broadcasting, Patiala House, New Delhi-1; Pp. 220; Price Rs 3.50.

The Economic Story of Modern India: D.H. Butani; Publications Division, Ministry of Information and Broadcasting, Patiala House, New Delhi-1; Pp. 181; Price Rs 6.

The Past Year in Retrospect: An Objective Account of Political and Economic Events in India in 1971-72: Published by Public Relations Dept., Indian Oxygen Ltd P-34 Taratala Road, Calcutta 700053; Pp. 94.

Microfilm Edition of Eastern Economist

EASTERN ECONOMIST, for the benefit of its readers, both at home and abroad, has made arrangements with University Microfilms of Ann Arbor, Michigan, USA, for the latter undertaking the reproduction of *Eastern Economist* on microfilm and through xerographic copies.

This arrangement covers for the present back issues of *Eastern Economist* starting from January 1971. The question of including issues from earlier years in this arrangement is under consideration.

University Microfilms will be sending the relevant literature to prospective microfilm subscribers. It is believed that this service will be of particular interest and value to libraries, business houses, firms, government offices and other institutions which may find it useful to maintain files of *Eastern Economist* for record and reference.

Prospective microfilm subscribers may address their enquiries to: Serial Publications University Microfilms, 300 North Zeeb Road, Ann Arbor, Michigan 48106, USA.

TRADE WINDS

Procurement Prices

THE UNION minister of state for Agriculture, Mr A. P. Shinde disclosed at a press conference here recently that an increase in the procurement prices of paddy could not be ruled out. A decision in this regard is likely to be taken by the middle of this month after a meeting of the state food ministers.

Mr Shinde, however, ruled out any increase in the procurement prices of wheat for the last rabi crop. The task force, set up recently under the chairmanship of the minister for Heavy Industries, Mr T. A. pai, to devise incentives for inducing farmers to part with their surplus wheat, he revealed, had submitted its report. The decision on these incentives would be taken soon.

Mr Shinde further stated that government was considering imports of foodgrains. The imports would depend on the quantum of procurement within the country. Wheat procurement upto May 31, he said, had aggregated to nearly three million tonnes. Although this figure was approximately 0.9 million tonnes lower than last year, there was still hope that arrivals in the market would go up if the rains started in time.

Rice Trade Take-over

The experience of the take-over of wholesale trade in wheat seems to have occasioned some rethinking in governmental circles on the take-over of wholesale trade in rice from the next kharif crop. A pertinent remark made by Mr Shinde in this regard was: "the government is certainly free to examine the position in the light of the experienee gained in the past few months."

Mr Shinde also indicated that government was considering a two-tier price scheme for fair price shops under which subsidised grains would be supplied only to the poorer sections of society and the more affluent sections would be asked to pay more.

Referring to the supply of farm inputs at controlled rates to those who sold their wheat to the government, Mr Shinde said that in regard to items of daily consumption the government policy was to treat all on an equal footing.

Talking about the plans for the next agricultural year, Mr Shinde stated that attempts would be to raise the output of foodgrains to 115 million tonnes. The 1973 kharif production target had been set at 67.2 million tonnes—rice 40.50 million tonnes, Jowar six million tonnes, bajra 6.5 million tonnes, maize 6.5 million tonnes, ragi 2.4 million tonnes, small millets 1.5 million tonnes and kharif pulses (including tur) 3.7 million tonnes.

The 1973-74 targets for commercial crops have been fixed as follows: cotton 6.5 million bales, jute 6.6 million bales, oilseeds 9.4 million tonnes and sugarcane 135 million tonnes.

Vanaspati Prices

The vanaspati prices have been raised by 75 paise per kg. in all the zones from June 1, 1973.

The increase has been effected in view of the steep rise in the prices of both indigenous and imported oils used in the manufacture of vanaspati.

The table alongside gives the maximum retail prices of vanaspati (in Rs) in different pack-sizes, and when sold loose, exclusive of sales-tax and other local taxes.

Bank Rate Raised

The Reserve Bank raised the Bank Rate on May 30, from 6 per cent to 7 per cent, the highest bank rate ever touched by the bank. However, the bank made no change in the rates of interest on deposits. The Reserve Bank also raised the statutory resources to be maintained by scheduled commercial banks with the Reserve Bank from 3 per cen to 5 per cent for one year ending June, 28, 1974. This level of 5 per cent should be reached before the close of business on June 29, 1973. The bank also fixed a minimum lending rate of 10 per cent on bank advances other than those specifically exempted, from June 1, 1973.

This decision was conveyed by the Reserve Bank Governor to the scheduled commercial banks in a letter addressed to them. For the first time the Reserve Bank has made a very bold public announcement that budgetary measures, particularly greater control over public expenditure, should provide the primary corrective. The Reserve Bank has pointed out that the expension of commercial banks credits of over Rs 1,000 crores since the end of October last could not but be viewed as abnormal. Money supply with the public is now over 16 per pcent higher than last year's level.

Export Forecast

A pilot project to forecast Indian exports on a quarterly basis was launched by the Trade Development Authority last year with a view to making available estimates of exports by major commodity groups, three months in advance. Speaking to newsmen recently the chairman of the TDA Steering Committee, Mr B.B. Lal, claimed that the project would be of immense use to the government. The project is a combination of two separate methodologies—field survey method and econometric forecasting model. The first envisages a survey of export intentions on the basis of a selected sample of manufacturer exporters, banks and transport network. The estimate of exports thus arrived at is then synthesised with the results generated from the econometric model to arrive at a final forecast.

Mr Lal pointed out that the experimental stage of the project was expected to continue upto June 1974. The work had been entrusted to the TDA because it already had an efficient research and analysis division. Mr Lall claimed an all-round improvement in its performance in different fields. The target of Rs 34 crores of exports generated through the TDA had been exceeded in 1972-73. For the current year too, he was confident that the target of Rs 52.05 crores would be overfulfilled. The exports generated through the TDA amounted to just Rs 6 crores in the first 18 months of its existence. He hoped that the new complex near Santa Cruz airport in Bombay to locate export-oriented electronic component units would start functioning by the end of next year. The site for the complex had already been taken over and construction work was being entrusted to Maharashtra Industrial Development Corporation. The selection of units would be finalised by June-end. A large number of

Zone	16.5 kg. tins	4 kg. tins	2 kg. tins	1 kg. Polythene containers	Loose per kg.
North and (J. &K.) HP and hilly areas	115.12	29.98	15.50	8.11	6.96
of UP	117.61	30.59	15.80	8.26	7.11
South	112.40	29.32	15.17	7.94	6.79
East	115.51	30.08	15.54	8.13	6.98
North-eastern region ..	117.36	30.53	15.77	8.24	7.09
West	113.94	29.70	15.35	8.04	6.89

applications had been received, he added.

Improved Coal Supplies

The union government has initiated measures to miximise coal production and streamline its distribution so that domestic consumers, brick burners and small-scale industries get it at reasonable price in adequate quantities. Besides moving coal by block rakes, the Coal Mines Authority and the Bharat Coking Coal have also introduced round-the-clock loading of trucks for transportation by road so that consumers in the nearby regions obtain their needs. Adequate quantities of soft coke have already reached the destinations in Bengal and Bihar. Creation of coal dumps in major centres in different states is one more important step in this direction. Several state governments have already finalised schemes for this purpose. The other state governments are also being requested to expedite the arrangements. Both the ministries of Railways and Steel and Mines are working on a programme for a co-ordinated coal loading, moving and distribution which will, in turn, facilitate quick wagon turn round.

IDBI at Ahmedabad

A branch office of the Industrial Development Bank of India began functioning at Ahmedabad (La Gajjar Chambers, Ashram Road, Ahmedabad-9) from June 1, 1973 under the overall supervision of IDBI head office at Bombay. To start with, the branch office, under the charge of a Deputy Manager, will maintain liaison with the state government, central government agencies, banks, other financing institutions and bodies representing industrial interests particularly in the medium and small sectors, in Gujarat. Applications for financial assistance from IDBI from industrial concerns or banks and other financing institutions of the area should, however, continue to be addressed to the head office. The IDBI has already branch offices at Bhopal, Chandigarh, Patna, Bangalore, Cochin, Hyderabad, Gauhati, Jammu, Kanpur, Bhubaneswar and Jaipur, besides regional offices at Calcutta, New Delhi and Madras.

Sugar Output

According to the Indian Sugar Mills Association the total sugar production in the month of April, 1973 the seventh month of the season 1972-73 was about 3,36,000 tonnes as against 1,93,000 tonnes during the corresponding period last season. This brings the total production of the first seven months of the season 1972-73 to 3.65 million tonnes as against 2.98 million tonnes during the corresponding period last season. The off-take of sugar from factories during the month of April, 1973 was about 2,78,000 tonnes for internal consumption and 25,000 tonnes for exports as against 3,00,000 tonnes for internal consumption and 30,000 tonnes for export in the corresponding period last season. The total despatches in the first seven months in 1972-73 was two million tonnes for internal consumption and 32,000 tonnes for export as against 2.30 million tonnes for internal consumption and 88,000 tonnes for export during the corresponding period last season. The total closing stock of sugar with the factories on the April 30, 1973 was about 2.20 million tonnes as against about 2.0 million tonnes on the same date last season.

Productivity Movement

The National Productivity Council (NPC) has drawn up plans to accelerate the Productivity Movement in the country by diversifying its services into important sectors of the economy during the fifth Plan period at a proposed cost of Rs 158 lakhs. This will be in addition to its normal operations for providing training, consultancy and other services to industries as the premier productivity and management organisation of the country.

In view of the fact that two hundred thousand new small scale units would come up during the fifth Plan period, the NPC has, at the instance of the Planning Commission, papered a scheme for the development of a Package Consultancy Service for small scale industries. The service will carry out market surveys for identifying investment opportunities and techno-economic feasibility studies for the benefit of new entrepreneurs and provide assistance in improving productivity of the units through special training and consultancy services. A data bank to serve as a clearing-house of information to the units would also be established. The package service is a direct result of the ever-increasing popularity of the productivity services provided by the NPC to small industries through special cells functioning in many states.

No Defence Collaborations

Addressing the first conference of heads of Defence public sector undertakings recently, the minister of Defence Production, Mr V. C. Shukla, announced government's decision not to allow collaboration and licence agreements in future except in an extraordinary situation. He said that collaboration and licence agreements already entered into would be allowed to expire and no extensions would normally be given. Mr Shukla said whenever the country was required to obtain technology from abroad, it should be on the basis of a 'one-time-buy'. After that our own Research and Deveiopment Organisation should be put on the job. The minister of Defence Production said that our main thrust had to be in the direction of self-reliance. Our experience in the past of dependence on others had made self-reliance absolutely necessary. Each Defence public sector undertaking should provide in-house research and development facilities so that it could plan and produce next generation of the equipment already under production.

Exhibition of Opticals

An Exhibition on Optical and Ophthalmic Industry was opened by Mr Pranab Mukherjee, union deputy minister of Industrial Development, at Vigyan Bhavan recently. The exhibition highlighted the development of the optical and ophthalmic industry in the country. On display in the exhibition were a variety of optical and ophthalmic instruments and appliances, machinery and raw materials manufactured by various industrial units in the country. These included a variety of sophisticated optical instruments, lenses, ophthalmic instruments and appliances and lens grinding and polishing machines, etc. The exhibition also highlighted some of the important activities of research and development in certain important organisations snch as Instrument Research and Development Establishment, Dehradun Bharat Ophthalmic Glass Project Ltd, Durgapur, and the Small Industries Service Institute, New Delhi, etc. The designs and prototypes of optical systems, instruments and machinery developed by these organisations have been of considerable importance in the development of the industry.

Goodyear Exploration Equipment

Goodyear Aerospace Corporation has built special radar system which penetrated up to 1.2 kilometre to search for metallic deposits, subsurface water, subterranean caverns or hollows, and to determine geological composition. It was used by Apollo spacecraft. Possible earth uses by the sounder or a derivative, are being studied by space engineers. Potential appiications include oil and mineral exploration, water management, air pollution analysis, soil analysis and undergrnund geological mapping,

Names in the News

From June 1, 1973 Bayer (India) Limited has a new Managing Director, **Mr D.W.R. von Drigalski.** He succeeds **Dr K. Wagner** who leaves to head Bayer's subsidiary in Spain after four years with Bayer (India) Limited. Thirtyeight year old Mr Von Drigalski comes to this country equipped with expertise in agricultural techniques and thirteen years experience with Bayer (India)'s collaborators Bayer AG, West Germany.

COMPANY AFFAIRS

Hindustan Lever

THE DIRECTORS of Hindustan Lever Ltd have recommended a final dividend of 90 paise per share, subject to deduction of tax, making a total dividend of Rs 1.60 per share for 1972 as compared to Rs 1.50 per share paid in 1971. The directors have also resolved to recommend to the shareholders subject to the approval of the Controller of Capital Issues and the Reserve Bank of India, that bonus shares be issued in the proportion of one bonus share for every six existing shares held on a date to be specified by the directors after all approvals have been received, by capitalisation of the required amount from the general reserve. Due to time required to obtain official approvals and allow for cum-rights trading, bonus shares will not qualify for any interim dividend that may be paid in 1973. According to the preliminary working results, the company's sales increased to Rs 140 crores, recording a gain of Rs 6 crores over 1971 while distributable profits were higher at Rs 3.25 crores as compared to Rs 2.75 crores in the preceding year. The results in the current year so far, however, compare unfavourably with those of the corresponding period of last year due to sharp rise in raw material and other costs not reflected in the prices of company's products. Exports registered a substantial rise, to Rs 8.82 crores from Rs 5.52 crores in 1971.

Voltas

The year 1971-72 was yet another successful year for Voltas Ltd. The company's excellent performance was due to its all-round improvement in production, sales, financial control and operational efficiency. Total sales at Rs 131 crores were higher by 27 per cent than the previous year and in fact it was the highest ever in the company's 18-year history. All the twelve divisions of the company have contributed to the increased turn over. Profits before tax rose to Rs 4.38 crores and it was achieved despite a fall in gross margins, escalation in costs of raw materials and wages. The company has made organised attempt to identify the directions in which the company could move in next five years. The broad areas which provide scope for future growth are air conditioning, agricultural inputs, consumer products and consumer durables, mining, air pollution control and major projects on turn-key basis. A few major proposals, having long-term implications, are at present under consideration. This is revealed in the Executive Chairman, Mr M. R. Bhide's annual statement circulated to the shareholders of the company.

The company has maintained its leadership in the field of air conditioning and refrigeration and has now developed skills in such specialised areas as marine air conditioning, railways, bus air conditioning and refrigerated vans. The frigate INS Nilgiri was provided with air conditioning and refrigeration equipment by the company. Orders for air conditioning of two more frigates have been secured. Two new models of room air conditioners were successfully introduced. The company continued to cater to the needs of the state electricity boards and various projects for power distribution equipment. The division successfully commissioned 220 KV switchyards for the Rajasthan Atomic Power Project. The division also secured a number of turn-key contracts for 110/132 KV sub-stations for various projects. The mining and conveying equipment unit manufactured and marketed two new models of drills during the year. The Agro-Industrial Products division sold a substantially higher number of tractors, agricultural implements and pumpsets than in the previous year. But there was a decline in profitability because the distributors margin per tractor was reduced very substantially. It is significant to note that the company has already reached its full licensed capacity for a number of products and will be reaching so in the case of certain other products. The company has received letters of intent which will add Rs 3 to Rs 4 crores to the manufacturing output. These new projects relate to centrifugal packaged chillers, transport refrigeration equipments and plate freezers. The company has maintained its brilliant record in the field of exports. Its exports during the year amounted to Rs 42 lakhs which were 55 per cent higher than in the previous year. The company has broken fresh ground in European countries by exporting a number of diamond drill bits and window airconditioners.

Ceat Tyres

Although the bicycle tyre plant at Nasik has commenced trial production in February 1973, on account of power restrictions which may be lifted after July at the earliest, the plant will continue to operate only a single shift basis. The company has received a licence for the import of truck tyre buildingmachine and band building machine for the manufacture of additional 10,000 truck tyres. This equipment has been installed and will be commissioned in the second half of the current year. The company has also applied for increasing the production of both truck and passenger tyres by 160,000 numbers and it is hoped that the necessary licence for the import of machinery will be received at an early date. The cost of financing this increase in production is estimated at Rs 269.10 lakhs and will be met from internal sources. This is disclosed in the Chairman, Mr P.A. Narielwala's statement circulated to the shareholders of the company.

The present problem of shortage of truck and bus tyres, according to the chairman, was not on account of maldistribution but due to reduced production caused by labour problems and power shortage. Representations have been made to the government for exempting the tyre manufacturing plants from power cuts but with little success. In view of the power cuts the industry is unlikely to maintain the levels of production attained in 1972. The company's own production has already been affected and is lower by six per cent in the first quarter of 1973 as compared with the same period of 1972. Due to shortfall in production, costs are expected to increase during the current year. Besides the company has to bear an additional burden of about Rs 70 lakhs as a result of new levies imposed in the budget on carbon black, nylon tyre cord—both imported and indigenous—and rubber chemicals. Shortage of synthetic rubber will also contribute to increase in costs because of the larger use of higher priced natural rubber as a substitute. Even with all the efforts of bringing about economies in operations, the company will not be able to offset these extra costs by corresponding increase in the prices of its products due to government restrictions.

Sandoz (India)

Mr N. Raghavan Pillai, chairman of Sandoz (India)

Ltd, in his annual statement circulated to the shareholders of the company, has stressed the need for a stable and long-term industrial policy aimed at increasing productivity of the industry. According to the chairman the policy at present tends to restrain the expansion of capacities which alone can raise productivity and facilitate a rapid increase in exports. The policy, in the chairman's opinion, should also encourage research and development. The company's aggregate turnover in the first four months of the current year had shown an increase of eight per cent over the same period of last year. The dyes and chemicals division which introduced two new products last year, has expanded its domestic sales. With the commissioning of Othylone Oxide condenstates plant last month, the division will be able to offer a wide range of versatile auxiliaries to the textile market. The turnover of the pharmaceutical division has risen only marginally. The company was unable to market several important new products of original research owing to industrial licensing restrictions. Sales also have been affected adversely by the delay in large government orders which are usually received in the first four months of the year and the prevailing unsettled market conditions. Sales of agro-chemicals have been satisfactory and efforts are being made to meet the growing demand for Ekalux, a new product, which has been well received by the markets.

Mysore Cements

The Mysore Cements factory at Ammasandra, near Bangalore,—the largest cement producing unit in Mysore state—is facing a crisis for want of coal. The factory consumes 8500 tonnes of coal every month. But, from January onwards, the supply has been rather inadequate both from Singareni and Bengal/Bihar collieries. While Singareni supplied 1600 tonnes in March and 1500 tonnes in April, they had supplied only 450 tonnes in May so far. The supply position from Bengal/Bihar collieries is no better. While 1100 tonnes were received in February and 1200 tonnes in March, there had been no supplies during April and May. As coal is being supplied to thermal power stations on rush basis, the authorities concerned have attributed this as the cause for non-supply of coal to the company.

Bajaj Auto

Bajaj Auto has turned out encouraging working results for the year ended March 31, 1973. The directors have recommended an equity dividend of 10 per cent as compared to 12 per cent paid for the previous year. But since the dividend for 1972-73 is payable on an enlarged capital resulting from a one-for-two bonus issue, the total distribution is appreciably higher at Rs 23.50 lakhs as against Rs 18.80 lakhs in the preceding year. With a smart rise in sales to Rs 17.33 crores from Rs 15.25 crores in 1971-72 gross profit has moved up by about 11.6 per cent from Rs 2.84 crores to Rs 3.17 crores. Out of the gross profit the directors have appropriated Rs 64.55 lakhs to depreciation reserve as against Rs 51.50 lakhs in the preceding year while the allotment to development rebate reserve was reduced from Rs 7.25 lakhs to Rs 6.70 lakhs. Taxation claimed Rs 1.64 crores, Rs 0.13 crore more than in 1971-72. This leaves a higher net profit of Rs 81.54 lakhs, as compared to Rs 73.87 lakhs in the earlier year.

National Radio and Electronics

The National Radio & Electronics Co. Ltd, recorded sales amounting to Rs 435 lakhs during 1972-73, representing a 30 per cent sales growth over the same twelve-month period in the previous financial year of fifteen months. Even though the market for the company's consumer products was significantly affected by the domestic economic situation and severe power shortages, the company successfully improved its market share of both radio receivers and appliances. Of particular significance is the fact that the company's sales of radio receivers was approximately 20 per cent higher than in the previous year despite a decline of 15 to 20 per cent in terms of total radio sales recorded by the industry as a whole. In keeping with the company's objective of diversification into sophisticated electronic control systems, its sales of these products registered an impressive 130 per cent growth. The company also successfully introduced in the market the first of a series of compact electronic desk calculators utilising current MOS/LSI technology. The company envisages good prospects of growth in its entertainment electronics products, industrial and professional electronics products and domestic electrical appliances product lines.

NEITCO

The North Eastern Industrial and Technical Consultancy Organisation (NEITCO), which was inaugurated recently at Gauhati, has been sponsored jointly by the IDBI, ICICI, IFCI, three lead banks (State Bank of India, United Commercial Bank, United Bank of India), and state-level financial/development institutions, viz. Assam SFC, Assam IDC and Nagaland IDC. It is proposed to register it shortly under the Companies Act, 1956, the registered office being located at Gauhati in view of its commercial and industrial importance. Till it is registered, it would function as a wing of IDBI, Gauhati. NEITCO would undertake techno-economic feasibility studies in connection with investment proposals, conduct reasearch and surveys for assessing industrial and market potential etc., in the states/union territories of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. It would thus play a key role in the implementation of projects identified by the various study teams for the north eastern region. The membership of NEITCO would be open to state-level financial institutions, all-India financial institutions, lead banks and such other institutions/banks as might subscribe to its objectives. Mr P. C. Patnaik, ex-senior technical adviser to a state Industrial Development Corporation, would be the Managing Director. NEITCO would start functioning with an initial capital of Rs 2 lakhs made up of contributions from its members.

Shaw Wallace

The Company Law Board has appointed Mr C. Saha, Chartered Accountant, Calcutta and Mr M.P. Wadhawan, Director, Steel Authority of India, New Delhi, as Government Directors on the Board of Directors of M/s Shaw Wallace & Co. Ltd, Calcutta, under Section 408 of the Companies Act, 1956. They hold office for a period of three years with effect from May 28, 1973. This action has been taken on an application filed before the Company Law Board by about 142 employee-shareholders of the Company alleging acts of mismanagement. The Company Law Board issued the order after hearing the present management of Shaw Wallace & Co. Ltd, who put forth their case before the Company Law Board through eminent counsel. After examining various documents submitted by the applications and the company and their oral submissions and after making its own enquiries, the Company Law Board came to the conclusion that it was necessary to appoint two persons to hold the office of Directors of the company.

Simplex Mills

The Simplex Mills Co. has fared extremely well during the year ended March 31, 1973, with sales, profits, and margins recording handsome improvements over the preceding year. The shareholders too have been rewarded with a higher equity dividend of 20 per cent against 16 per cent paid for 1971-72. With a sharp upswing in sales from Rs 7.89 crores to Rs 8.79 crores, gross profit leaped by about 66.8

per cent to Rs 102 lakhs from Rs 61.13 lakhs in 1971-72. Out of the gross profit the directors have set apart a sum of Rs 21.58 lakhs to depreciation reserve as against Rs 23.76 lakhs in the previous year while the allotment to development rebate reserve was reduced from Rs 3 lakhs to Rs 0.99 lakh. The allocation to gratuity was stepped up by Rs 37.59 lakhs to Rs 39.54 lakhs while taxation claimed Rs 23.70 lakhs as compared to Rs 17.05 lakhs a year ago. The net profit, after these transfers, works out to Rs 16.20 lakhs as against Rs 15.37 lakhs in 1971-72. A sum of Rs 16.20 lakhs was provided to general reserve No 2 out of which the recommended dividend will be paid.

News and Notes

(*Expansion and diversification*)

Dharamsi Morarji Chemical Company Ltd has received the government's approval for increasing the licensed capacity for manufacturing sulphuric acid, single superphosphates and alumina sulphate. Meanwhile some changes have been made in the proposals made to the company by the Madhya Pradesh State Agro-Industries Development Corporation to promote a project for the manufacture of granulated fertilisers. The company will now have only 25 per cent interest in the new company to be promoted to undertake the project. The state government will have 26 per cent of the equity capital and the balance of 49 per cent will be offered to the public. The company will subscribe to the equity capital to the tune of Rs 9 lakhs out of the total capital of Rs 36 lakhs of the new company. Its nominee will be the managing director of the new company.

New Issues

Triveni Sheet Glass Works Ltd. propose to enter the capital market with a public issue of 6,30,000 equity shares of of Rs 10 each at par on June 19. The subscription list will close on June 29 or earlier but not before June 21. The object of the issue is to raise finance for setting up a plant at Iradatganj district Allahabad UP, to manufacture sheet glass of three mm to six mm thickness through PPG process with an installed capacity of five million square metres per annum. The company has an authorised capital of Rs 1.50 crores divided into 12,50,000 equity shares of Rs 10 each and 25,000 (9.5 per cent) c.r. tax-free preference shares of Rs 100 each. Of Rs 37 lakhs issued equity capital of Rs 18.54 lakhs is paid up. It has made applications to the Calcutta and Bombay stock exchanges for permission to deal in and for quotation for its equity shares. The company has obtained necessary industrial licence from the union government to start the project. It has also been granted an import licence for importing plant, machinery, equipment, including spares worth Rs 35.77 lakhs from West Germany. Hugo Knoblauch of West Germany will supply drawings for pits, balconies and general layout plant of the entire melting furnace. Subject to the approval of the union government and the Reserve Bank, the West German firm has also undertaken to send technical experts to supervise the erection of three PPG machines and another specialist for the PPG process as adviser to commence production. It is expected that about 60 per cent of the total production of the company will be purchased by undertakings including Hindustan Safety Glass Works Pvt. Ltd, and firms which are now being controlled by the promoter. The directors do not, therefore, anticipate any difficulty in marketing their products. Barring unforeseen circumstances, they are also hopeful of declaring a maiden dividend within a reasonable period. The entire public issue is underwritten by various financial institutions and commercial banks.

Shree Mahavir Ispat will be offering for public subscription shortly 1,20,000 equity shares of Rs 10 each and 3,000 (9.5 per cent) cumulative redeemable preference shares of 100 each at par. The company is setting up a mini steel plant at Tarapur, Maharashtra. Initiaily it will put up a 4/5 tonne electric arc furnace to manufacture mild steel, alloy steel ingots and billets and other steel items. The plant is expected to go on stream by October-November 1973. The capital cost of the projeet is estimated at Rs 60 lakhs and it will be met by the share capital of Rs 23.50 lakhs loan from SICOM Rs 20 lakhs and another loan of Rs 16.50 lakhs from Bank of Baroda.

Company Meetings

Textile Machinery Corporation Ltd : Registered Office, Belgharia, Calcutta-56; June 29; 4 PM.

Industrial Containers Ltd : Registered Office, 21, Netaji Subhas Road, Calcutta; June 18; 3.30 PM.

Baroda Rayon Corporation Ltd : Registered Office, Udhna, District Surat; June 28; 10.00 A.M.

Usha Martin Black (Wire Ropes) Ltd : Registered Office, 14, Princep Street, Calcutta-13; June 13; 2.00 PM.

Interim Dividend

Triveni Engineering has declared an interim equity dividend of a rupee per share for the year ending October 31, 1973. The company had paid a total dividend of Rs 1.50 per share for the previous year.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Elgin Mills	Dec 31, 1972	10.0	Nil
Vasanta Mills	Dec 31, 1972	9.0	Nil
Vulcan Laval	Dec 31, 1972	15.0	10.0
Ogale Glass Works	Dec 31, 1972	6.0	Nil
Aspinwall and Company (Travancore) Ltd.	Dec 31, 1972	15.0	10.0
Svadeshi Mills	Dec 31, 1972	15.0	12.0
Tata Mills	Dec 31, 1972	10.0	6.0
Same Dividend			
Bharat Fertiliser Industries	Oct. 31, 1972	10.0	10.0
Wavin India	Dec 31, 1972	6.0	6.0
Haileyburia Tea Estate	Dec 31, 1972	8.0	8.0
Aspinwall and Co.	Dec 31, 1972	6.0	6.0
Peermade Tea Co.	Dec 31, 1972	12.5	12.5
Vijay Spinning	Dec 31, 1972	12.0	12.0
Permanent Magnets	Dec 31, 1972	12.0	12.0
Ahmedabad Advance Mills	Dec 31, 1972	12.0	12.0
Reduced Dividend			
United Provinces Sugar	Sept 30, 1972	Nil	5.0
Punalur Paper Mills	Dec 31, 1972	5.0	10.0

RECORDS AND STATISTICS

Public sector undertakings: 1971-72

ACCORDING to the Annual Report on the Working of Industrial and Commercial Undertakings of the central government for 1971-72, the total investment (other than departmental projects) amounted to Rs 5052 crores as against Rs 4682 crores at the end of the previous year. To appreciate the growth of the public sector during the post-independence period, the total investments in public sector enterprises at the commencement of each of the Five-Years Plans are set out in Table I.

capital structure

Of the total investment of Rs 5052 crores the equity capital accounted for Rs 2,742 crores and long-term loans Rs 2310 crores. By and large the policy of government is to evolve the capital structure in new undertakings having parity between equity and loans.

The bulk of the above investment either in the form of equity or loans has come from the central government. In some of the undertakings the state governments have also participated in the capital contribution and in some private parties both Indian and foreign. By and large these funds have been utilised for meeting capital expenditure for the establishment of new units or the expansion of the existing ones. The working capital requirements are generally met by cash credit arrangements from the State Bank of India. Consequent on nationalisation of the banks it has been accepted in principle that the public sector undertakings could have cash credit arrangements with other nationalised banks. In exceptional cases short-term loans are also advanced by government towards working capital requirements. The total amount outstanding under the cash credit arrangement amounted to Rs 458 crores as on 31-3-1972 which was mostly from the State Bank of India. In addition foreign deferred credits for procurement of raw materials outstanding at the end of 1971-72 amounted to Rs 117 crores. Thus the total investment at the end of March, 1972 was of the order of Rs 5627 crores as detailed in Table II.

The cash credit advance drawn by the public sector enterprises and outstanding at the end of 1971-72 amounted to Rs 458 crores as against Rs 311 crores last yer. The increase in the overdraft has been due mainly to the increase in the overdraft of the Food Corporation of India to Rs 292 crores as against Rs 182 crores last year.

The details of investment of Rs 325.2 crores by foreign parties as at the end of 1971-72 are as under:

	(Rs crores)
Equity participation	14.7
Foreign loans	85.6
Deferred credits for procurement of plant and machinery and other capital goods	224.9
Total	325.2

The bulk of the investment by foreign parties in various undertakings is given in Table III.

Additional investment during 1971-72 by central government was Rs 473 crores. The additional investment by

TABLE I

Total Investment at Commencement of each Five-Year Plans

	Total investment (Rs crores)	Number of enterprises
At the commencement of the first Five-Year Plan	29	5
At the commencement of the second Five-Year Plan	81	21
At the commencement of the third Five-Year Plan	953	48
At the end of the third Five-Year Plan (31-3-1966)	2415	74
As at 31-3-1967	2841	77
As at 31-3-1968	3333	83
As at the commencement of the fourth Five-Year Plan (31-3-69)	3902	85
As at 31-3-1970	4301	91
As at 31-3-1971	4682	97
As at 31-3-1972	5052	101

TABLE II

Total Investment as at the end of March 1972

(Rs crores)

	1971-72	Previous year
Central government	4630.7	4157.0
State government	10.1	9.5
Private parties (Indian)	85.7	81.3
Private parties (foreign)	325.2	433.9*
	5051.7	4681.7
Bank overdraft under cash credit arrangements	458.3	310.9
Foreign deferred credits for purchase of raw materials & components	117.1	..
	5627.1	4992.6

*Includes foreign deferred credits for purchase of raw materials for production Rs 119.7 crores.

central government in some companies is as give in Table IV.

TABLE IV

Central Government Investment

(Rs crores)

1. Bokaro Steel Ltd	154
2. Food Corporation of India Ltd	61
3. Hindustan Copper Ltd	29
4. Fertilizer Corporation of India Ltd	28
5. Madras Fertilizer Ltd.	18
6. Fertilizer & Chemicals (Travancore) Ltd.	15
7. Bharat Aluminium Company Ltd	15
8. National Mineral Development Corporation, Ltd	15
9. National Coal Development Corporation Ltd	12
10. Rural Electrification Corporation	11
11. Indian Petrochemical Corporation Ltd	11
12. Heavy Engineering Corporation	0
13. Air India	1
14. National Textile Corporation	10
15. Neyveli Lignite Corporation	8
	7
Total	404

The investment at the end of 1971-72 (category-wise) is as given in Table V.

The largest investment is in Hindustan Steel Ltd which is the biggest company not only in the public sector but also in the country as a whole and accounts for a total investment of Rs 1.038 crores. The names of the first ten companies in the investment are given in Table VI.

TABLE VI

First Ten Companies in Order of Investment

(Rs crores)

	Total investment at the end of March, 1972
Hindustan Steel Ltd	1038
Bokaro Steel Ltd	655
Food Corporation of India	340
Heavy Engineering Corporation Ltd	255
Fertilizer Corporation of India Ltd	252
Oil & Natural Gas Commission	224
National Coal Development Corporation Ltd	209
Bharat Heavy Electricals Ltd	184
Neyveli Lignite Corporation Ltd	180
Shipping Corporation of India	129

The total investment in these ten companies amounted to Rs 3466 crores which constitutes 69 per cent of the total investment of Rs 5052 crores in the public sector undertakings.

The figures tabulated in Table VII give the distribution of investment industry-wise.

The total loans advanced to these undertakings and outstandings as on 31-3-1972 were Rs 2310 crores as against Rs 2392 crores in the previous year. Of this Rs 1917 crores

TABLE III

Foreign Investment

(Rs crores)

Name of the undertakings	Equity	Loans and deferred credit	Total investment
1. Air India	..	64.79	64.79
2. Fertilizer Corporation of India	..	43.50	43.50
3. Shipping Corporation of India	..	30.00	30.00
4. Indian Airlines	..	26.93	26.93
5. Madras Fertilizers	6.69	14.92	20.92
6. BHEL	..	16.78	16.78
7. Fertilizers and Chemicals Travancore Ltd.	..	13.21	13.21
8. Madras Refineries	3.35	8.65	12.00
9 Indian Oil Corporation	..	10.19	10.19
10. Hindustan Steel	..	10.18	10.18
11. Cochin Refineries	1.85	8.29	10.14
Total	11.89	246.75	258.64

TABLE V

Caleygorywise Investment

(Rs crores)

	Equity	Loan	Total
1. Undertakings under construction	704.51	69.03	773.54
2. **Running concerns**			
Hindustan steel Ltd.	594.37	443.88	1038.25
Petroleum	225.75	168.17	393.92
Industrial and manufacturing concerns	987.30	1033.06	2021.36
Trading concerns	88.80	265.60	354.40
Other commercial & miscellaneous undertakings	109.56	284.38	393.94
3. Promotional & developmental Undertakings	26.72	45.80	72.52
4. Life Insurance Corporation	5.00	..	5.00
	2742.01	2309.92	5051.95

TABLE VII

Industrywise Distribution of Investment

	At the end of 1971-72-investment		At the end of Previous year-investment	
	(Rs crores)	%	(Rs crores)	%
Steel	1694	33.5	1538	32.9
Engineering & shipbuilding	1022	20.2	1087	23.2
Chemicals	614	12.2	534	11.4
Petroleum & oils	394	7.8	399	8.5
Mining & minerals	484	9.6	410	8.8
Aviation and shipping	320	6.3	263	5.6
Trading	354	7.0	313	6.7
Miscellaneous	165	3.2	133	2.8
Life Insurance Corporation	5	0.1	5	0.1
Total	5052	100.0	4682	100.0

represented loans advanced by the central government and the balance by the state governments and other private parties. The total loans drawn during the year amounted to Rs 266 crores and the total repayment of loan instalment amounted to Rs 228 crores.

The rate of interest charges from the industrial and commercial undertakings for loans granted by the central government are by and large comparable with the interest rates paid by first class companies in the private sector for thd borrowings. The loans currently applicable are set out below. The loans granted to financial institutions which undertake relending operations are lower than that charged to industrial and commerc'al enterprises as indicated in Table VIII.

In respect of loans sanctioned after June 10, 1968, a rebate of 1/4 per cent in interest rate is allowed for timely repayment of principal and/or interest.

The total period of the loans, inclusive of moratorium, is restricted to 15 years. The repayment of principal ordinarily commences one year after the project commences production. Save in exceptional cases, where the project report has specified any special circumstances and the nature of period and the stage of construction justifies, a longer period of moratorium for the repayment of loans instalments is not allowed.

government guarantees

The public enterprises have been advised to meet their working capital requirements from the banks on the security of their current assets. If, however, they are unable to secure full requirements on their own, they have been requested to approach the government for counter guarantees in favour of the State Bank of India for overdraft facilities. Counter guarantees issued by government in favour of various public sector enterprises in pursuance of these instructions amounted to about Rs 200 crores at the end of 1971-72.

short-term loans

To meet the working capital requirements in special case short term loans are advanced to public enterprises. Repayment of working capital loans should ordinarily commence from the first anniversary of the date of withdrawal of loans. Where, however, some staggering of repayment is considered necessary repayments may be allowed to be made in one lump at the end of the period of loan. Normaly, the period of repayment of working capital loans is restricted to 2 to 3 years. In exceptional cases a longer period for repayment may be considered but in no case the period of these loans should exceeed five years.

The total amount of interest on loans during 1971-72 on all capital loans amounted to Rs 150 crores of which Hindustan Steel Ltd alone accounted for Rs 26 crores.

utilisation of funds

The funds invested in these undertakings are mainly utilised for the creation of capital assets of new units or expansion of the existing ones. Part of internal resources are also ploughed back for the creation of capital assets. The total value of gross block of all the undertakings as on 31-3-72 amounted to Rs 4792 crores as indicated in Table IX.

TABLE VIII

Loans Granted to Relending Institutions and Commercial Enterprises

(Rate of interest)

	Industrial & commercial Enterprises	Financial institutions
Upto 1 year	6½	4½
Exceeding 1 year but not exceeding 4 years	6½	5½
Exceeding 4 years but not exceeding 9 years	7½	5½
Exceeding 9 years but not exceeding 15 years	7½	6
Exceeding 15 years but not exceeding 30 years*	*	6½

*Period of loan is restricted to 15 years.

TABLE IX

Gross Block of all Undertakings

(Rs crores)

	At the end of 1971-72
Land	71.3
Building, electricity, water supply, sanitary installations etc.	659.3
Roads, bridges, railway, sidings etc.	99.1
Plants and machinery	2421.4
Other miscellaneous assets	461.4
Capital works in progress including unallocated expenditure during construction	1079.5
Total	4792.0

foreign exchange

Efforts are being made by the undertakings to bring down the foreign exchange utilisation for production and maintenance items. In case of establishment of new projects the suitability of the indigenous equipment is fully examined before imports are allowed so that the foreign exchange content is kept as low as possible.

undertakings under construction

There are in all 7 companies which are in the process of establishing production units under their control. The year of incorporation of each undertaking has been shown against its name:

1. Bokaro Steel Ltd	1964
2. Bharat Aluminium Co. Ltd	1965
3. Hindustan Copper Ltd	1967
4. Indian Petrochemicals Corporation Ltd	1969
5. Bharat Pumps and Compressors Ltd	1970
6. Hindustan Paper Corporation Ltd	1970
7. Hotel Corporation of India Ltd (Subsidiary of Air India)	1971

According to the available data, the capital cost of development of the units under construction is estimated at about Rs 1215 crores. Of this total cost, Bokaro project alone accounts for Rs 758 crores and the remaining units Rs 457 crores. The cost of township included in the total cost is Rs 50 crores including Rs 30 crores for Bokaro.

Two undertakings, Madras Fertilizers Ltd and Bharat Dynamics commenced production in 1971-72 and are, therefore, being classified as running concerns for the purpose of this report.

So far as Bokaro Steel Ltd. is concerned, the first blast furnace complex was commissioned on October 3, 1972. With the commissioning of the blast furnace complex 40 per cent of the units covered under the first stage of Bokaro have been commissioned. The first stage of 1.7 million tonnes capacity of ingot steel, and 0.88 million tonnes of pig iron is

scheduled to be completed by the end of 1973. Expansion of Bokaro to four million tonnes has also been phased in a manner to achieve a capacity of 2.5 million tonnes by 1974, and four million tonnes capacity by 1976.

In the case of Bharat Aluminium Co. Ltd.' the first stage of Korba Aluminium Plant is expected to go into production during the first quarter of 1973 and the second stage about six months thereafter. The Khetri Copper Complex undertaken by the Hindustan Copper Ltd. consists of the Khetri mines and the Kolihan mines. Regular production from Khetri and Kolihan mines is expected to commence in the first quarter of 1973. Trial runs of the concentrator plant are expected to start by the end of March, 1973 and the smelter and the refinery are expected to be commissioned by end of December, 1973. The acid-cum-fertilizer plant is expected to go into production by February, 1974.

The first petrochemical project undertaken by the Indian Petro-chemicals Ltd is the Gujarat Aromatics Project which is nearing completion. The olefins project comprising Naphtha Cracker and associated units for extraction of benzene and butadine, etc., is scheduled to be completed towards the end of 1974. The Bharat Pumps and Compressors consist of two units—a pump compressor unit and a gas cylinder unit. Production from the pumps and compressor unit is likely to commence by March, 1973.

The total investment in these seven undertakings under construction as on 31-3-1972 amounted to Rs 773.3 crores as against the investment of Rs 570.4 crores at the end of the last year as per details given in Table X.

The investment in the undertakings under construction forms about 16 per cent of the total investment in public undertakings.

The summarised financial results of the undertakings under construction as on March 31, 1972 are given Table XI

Consolidated balance sheet the undertakings under construction is given in Table XII (p. 1167).

SUMMARY OF THE PERFORMANCE OF RUNNING AND PROMOTIONAL UNDERTAKINGS

Of the 101 public sector undertakings, seven are under construction as stated earlier. The other ninety three running and promotional undertakings excluding the Life Insurance Corporation of India have for purpose of a proper appraisal been classified in the following manner:

Hindustan Steel Ltd.
7 enterprises engaged in petroleum exploration, refining, marketing.
48 Industrial and Manufacturing Undertakings other than HSL and petroleum.
7 Trading concerns.
21 Commercial and miscellaneous running concerns.
9 Promotional and developmental undertakings.

As at the end of March, 1972 there were in all ninety three running and promotional and developmental undertakings as against 88 at end of the previous year.

The new aditions during the year are the Jute Corporation of India, Project Equipment Corporation (Subsidiary of IOC), Air India Charters Ltd. (Subsidiary of Air India) incorporated in 1971-72 and the Bharat Dynamics Ltd and Madras Fertilizers Ltd.

The financial position of all the ninetythree running and promotional undertakings as at end of March, 1972 is presented category-wise in Table XIII (p. 1168).

The working capital of all the running and promotional undertakings as at end of March, 1972 amounted to Rs

TABLE X

Investment in Undertakings under Construction

(Rs in crores)

	Investment	
	At the end of March 1972	At the end of March, 1971
Bokaro Steel Ltd.	655.50	501.95
Bharat Aluminium Co. Ltd.	31.12	16.12
Hindustan Copper Ltd.	61.24	39.56
Indian Petro-Chemicals Corporation Ltd.	23.11	11.85
Bharat Pumps & Compressors Ltd.	1.97	0.89
Hindustan Paper Corporation Ltd.	0.35	0.07
Hotel Corporation of India Ltd.	0.25	—
Total	773.54	570.44

TABLE XI

Financinal Results of Undertakings under Construction

(Rs in crores)

	At the end of 1971-72	Previous year
Resources		
(a) Equity capital	704.51	465.70
(b) Loan capital	69.03	104.74
	773.54	570.44
Utilisation		
(c) Gross block including capital works in progress	562.64	412.73
(d) Less depreciation	5.72	3.59
(e) Net Block	556.92	409.14
(f) Advances made to suppliers for plant and machinery and other current liabilities	155.71	117.44
(g) Dev. commissioning and D.R.E. and other incidental expenditure pending allocation	60.91	43.86
Total	773.54	570.44

TABLE XII

Consolidated Balance Sheet as on 31st March, 1972

(Undertakings under Construction)

As at 31-3-71 (Rs crores)		Liabilities	As at 31-3-72 (Rs crores)		As at 31-3-71 (Rs crores)		Assets	As at 31-3-72 (Rs crores)	
		I. *Share Capital*					I. *Fixed Assets*		
	438.88	Subscribed	593.84			69.29	Gross Block	85.33	
465.70	26.82	Amount Pending Allotment	110.67	704.51	65.70	3.59	Less Depreciation	5.72	79.61
					343.44		Capital Works in progress		477.31
		II. *Loans*			38.48		II. *Unallocated Expenditure during Construction.*		53.12
	90.61	(i) From Govt. of India	62.83				III. *Current Assets loans & Advances*		
	3.79	(ii) From Foreign Parties	6.20						
104.74	10.34	(iii) From others	..	69.03		14.42	Inventories	25.63	
0.02		III. *Reserves*		0.10		1.14	Sundry Debtors	1.82	
22.85		IV. *Current Liabilities Provisions*		24.91		106.98	Loans & Advances	133.78	
						11.00	Cash & Bank Balances	10.03	
					140.31	6.77	Other Assets	9.46	180.72
					4.98		IV. *Miscellaneous Expenditure Deferred Revenue.*		7.24
					0.40		Expenditure Preliminary Expenses.		0.55
593.31				798.55	593.31				798.55

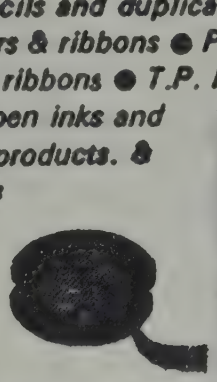
Note: The estimate of contract to be executed on capital account as on 31st March, 1972 and not provided for in account amounted to Rs 190 crores.

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TABLE XIII

Financial Position of 93 Running Concerns—Category-wise

(Rs in Crores)

Total 1970-71		1971-72 HSL	Petroleum	Industrial & manufacturing other than HSL & petroleum	Trading	Commercial and miscellaneous	Promotional & developmental	Total
1	2	3	4	5	6	7	8	9
	Available Resources							
	Investment							
1821.93	Equity & Preference	594.37	226.36	988.23	89.55	109.87	27.97	2036.35
2180.31	Loans & Deferred Credit	443.88	168.19	1033.11	265.60	284.38	46.06	2241.22
4002.24	TOTAL :	1038.25	394.55	2021.34	355.15	394.25	74.03	4277.57
304.76	Cash Credit Advances	21.78	21.29	110.13	297.34	7.20	0.58	458.33
128.25	Advances from Customers	10.04	—	117.68	29.24	—	1.57	158.53
	Internal Resources							
1105.82	Depreciation & Amortisation	547.43	137.27	467.90	12.31	130.31	2.62	1297.84
300.94	Free Reserves & Surplus	0.35	170.29	112.77	27.45	82.82	1.27	394.95
76.42	Specific Reserves	18.27	—	17.17	8.09	9.55	54.07	107.15
5918.43	Total Available Resources	1636.12	723.40	2846.99	729.59	624.13	134.14	6694.37
	Utilisation of Resources							
3339.05	Gross Block	1174.02	426.79	1511.65	78.80	425.44	6.72	3623.42
81.46	Development Expenditure	—	76.23	—	—	—	—	76.23
434.78	Capital works in progress and unallocated expdr. during Construction	23.94	56.08	350.11	1.28	44.28	0.23	475.92
3.51	Hire Purchase Machinery	—	—	—	—	—	10.58	10.58
1327.05	Working Capital	200.71	93.21	516.37	647.54	106.05	41.53	1605.41
52.10	Deferred Debts	—	—	54.05	—	—	—	54.05
85.82	Investments	1.16	48.74	1.93	1.97	15.43	67.59	136.82
86.79	Deferred Revenue Expenditure and Preliminary Expenses	4.51	22.35	51.93	—	3.37	1.23	83.39
15.55	Other Misc. Expenditure	8.70	—	8.75	—	—	—	17.45
492.32	Deficit	223.08	—	352.20	—	29.56	6.26	611.10
5918.43	**Total**	1636.12	723.40	2846.99	729.59	624.13	134.14	6694.37
	Capital							
3645.25	Employed	827.30	458.96	1560.12	714.03	401.18	56.21	4017.80
1544.76	Net Worth	367.13	374.30	696.87	117.00	159.76	21.75	1736.81

TABLE XIV

Working Capital of Running Promotional Undertakings

(Rs in crores)

Total 1971-72		1971-72						
		HSL	Petroleum	Industrial manufacturing other than HSL and petroleum	Trading	Commercial and miscellaneous	Promotional & developmental	Total
1	2	3	4	5	6	7	8	9
1194.08	Inventories	267.78	117.09	746.47	608.39	60.22	9.01	1808.96
131.60	Cash & Bank Balances	7.00	21.61	49.02	43.60	57.95	10.07	189.25
276.83	Loans & Advances	34.78	40.90	107.33	113.85	54.55	9.43	360.84
447.88	Receivable	48.52	57.92	174.69	131.23	52.04	15.30	479.70
50.30	Other Current Assets	3.36	0.04	52.97	—	9.68	11.82	77.87
2100.69	Total Current Assets	361.44	237.56	1130.48	897.07	234.44	55.63	2916.62
974.04	Less Current Liabilities	160.73	144.35	614.11	249.53	128.39	14.10	1311.21
1126.65	Working Capital	200.71	93.21	516.37	647.54	106.05	41.53	1605.41

Summaried Financial Results

Summarised financial results of the ninety three running and promotional undertakings is set out below indicating also the group-wise performance :

TABLE XV

Groupwise Performance

(Rs in crores)

Total 1970-71		1971-72						
		HSL	Petroleum	Industrial and manufacturing other than HSL and petroleum	Trading	Commercial and miscellaneous	Promotional & developmental	Total
1	2	3	4	5	6	7	8	9
345.20	Surplus before Depreciation, Write off DRE, Interest and Tax	50.28	101.85	116.39	75.75	41.58	2.78	388.63
186.58	Less Depreciation & Amortisation	68.74	36.52	74.12	2.97	24.08	0.20	206.63
12.88	Write off of Deferred Revenue Expenditure	1.53	0.11	10.34	00.08	0.65	0.08	12.79
145.74	Gross Profit	(—)19.99	65.22	31.93	72.70	16.85	2.50	169.21
125.39	Less Interest	25.64	9.30	58.49	38.53	13.01	1.81	146.78
23.14	Income Tax provided for	—	6.05	9.34	23.46	1.64	0.78	41.27
(—)2.79	Trading Net Profit (+)	(—)45.63	49.87	(—)35.90	10.71	2.20	(—)0.09	(—)18.84
(—)0.07	Loss (—)			(—)0.11				(—)0.11
(—)5.04	Add/Substract, Non Trading Profit/ Loss prior Period Expenses/Receipt	(+)0.78	(+)0.26)	(+)0.59	(+)1.53	(+)1.30	(+)0.07	(+)4.53
(—)7.90	Total Net Profit for the Year	(—)44.85	(+)50.13	(—)35.42	12.24	3.50	(—)0.02	(—)14.42

1605 crores and are detailed in Table XIV and XV (p. 1169).

Salient features of overall performance of these running and promotional undertakings are set out below:

(a) Turnover and other operating income.

The sales and other operating income of the running and promotional undertakings increased from Rs. 3307 crores in 1970-71 to Rs 3972 crores in 1971-72 as detailed in Table XVI.

(b) **Gross Profit**

After providing for all the working expenses and depreciation and write off of deferred revenue expenditure but before providing for interest and tax the gross profit during 1971-72 amounted to Rs 169 crordes on a capital employed of Rs 4018 crores as compared to Rs 146 crores on a capital employed of Rs 3645 crores in the previous years. The gross profit has been arrived at after setting off the gross losses amounting to Rs 52 crores sustained by 25 undertakings. The percentage of gross profit to capital employed was 4.2 per cent in 1971-72 as compared to four per cent last year

(c) **Net Profit**

The ninety three running and promotional enterprises incurred an overall net loss of Rs 18.96 crores as compared to a net loss of Rs 2.86 crores last year after meeting all expenses, depreciation charges Rs 207 crores, interest Rs 147 crores and tax Rs 41 crores but before prior period receipts of Rs 4.5 crores.

Table XVII shows at a glance the number of undertakings in each group that have earned profits and those have incurred losses and the extent of profits/losses.

The net profits/losses have been arrived at after charge of township maintenance and social overheads to the tune of Rs 32.5 crores. If this amount is excluded the performance of 93 running and promotional undertakings will show a net profit of Rs 13.5 crores.

The net expenditure on township maintenance and social overheads excluding interest amounted to Rs 30 crores. The total gross profit earned by all the running and promotional enterprises amounted to Rs 169 crores. Of the total capital employed of Rs 1.018 crores the infrastructure outlay on township and social facilities was of the order of Rs 268 crores. If the additional cost on township and social amenities is excluded the return on capital employed would be 5.3 per cent as against 4.2 per cent indicated in para 7(b) avove.

(d) **Dividend**

During the year 32 undertakings declared dividends amounting to Rs 16.07 crores. The rates of dividend varied from 20 per cent to one per cent. In the case of Indo Burma Petroleum Co. Ltd the company also paid a dividend of Rs 2.8 lakhs on preference shares. The balance amount of Rs 16.04 crores representing dividends on equity works out to 6.3 per cent of the corresponding paid up capital of these concerns.

TABLE XVI

Sales and Operating Income of Running and Promotional Undertakings

(Rs in crores)

	1971-72	1970-71
Hindustan Steel Ltd.	445	417
Petroleum Industry	1049	871
Industrial and Manufacturing Concerns	669	566
Trading Concerns	1492	1184
Commercial and Miscellaneous	287	247
Promotional and Developmental Undertakings	30	22
Total	3972	3307

TABLE XVII

Profits or Losses Made by Undertakings—Group-wise

(Rs in crores)

Category	1971-72 Net Profits	1971-72 Net Losses	1970-71 Net Profits	1970-71 Net Losses
1. Hindustan Steel Ltd.	—	45.63	—	4.51
2. Petroleum	49.87 (7)	—	36.84 (7)	—
3. Industrial & Manufacturing Concerns	26.89 (26)	62.90 (22)	19.35 (23)	65.65 (23)
4. Trading Concerns	10.71 (7)	—	3.16 (4)	—
5. Commercial & Miscellaneous	10.97 (13)	8.78 (8)	15.04 (11)	6.58 (9)
6. Promotional & Developmental Undertakings	1.21 (5)	1.30 (4)	0.58 (7)	1.09 (2)
Total	99.65 (58)	118.61 (35)	74.97 (52)	77.85 (35)
	(—) 18.86		(—) 2.86	

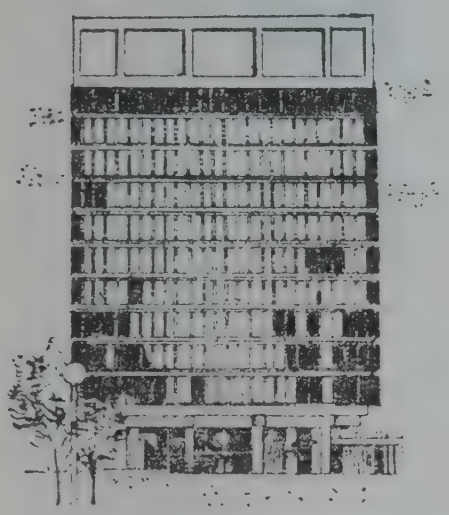
(The figures in brackets indicate the number of undertakings.)

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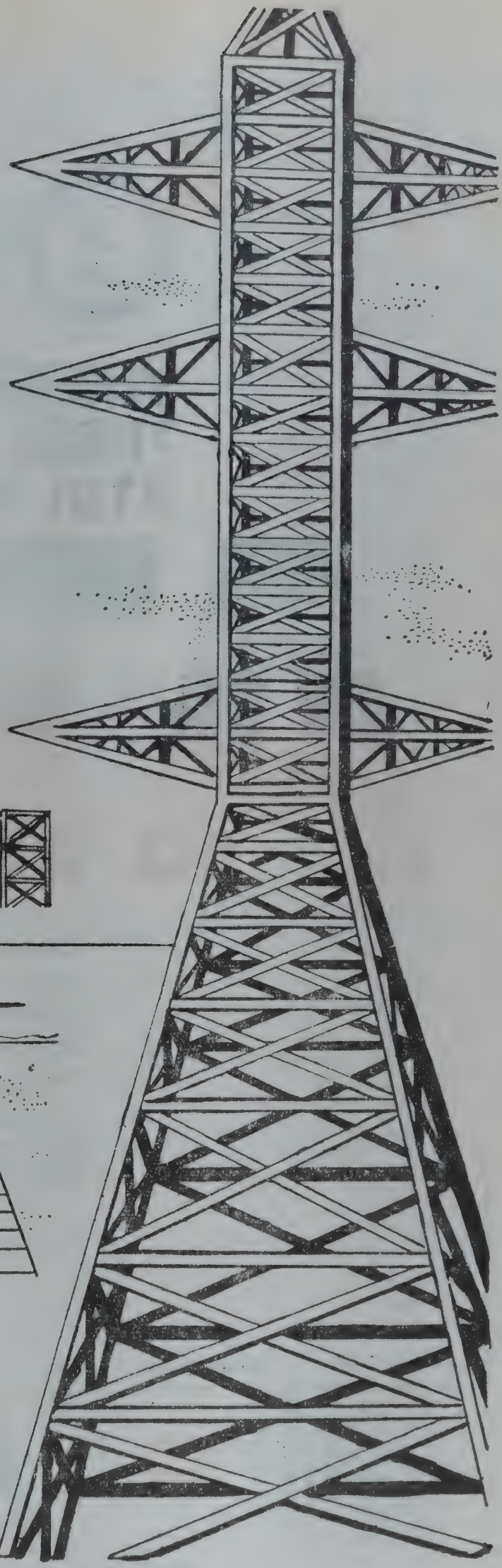
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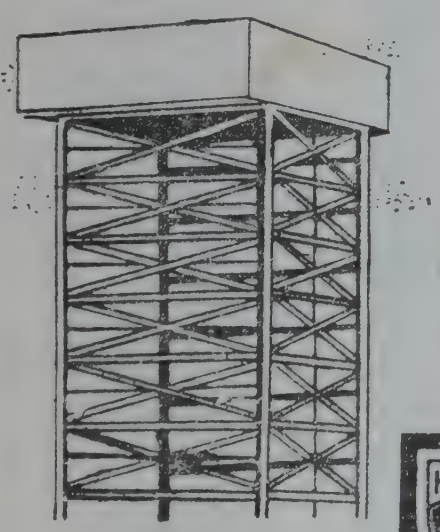
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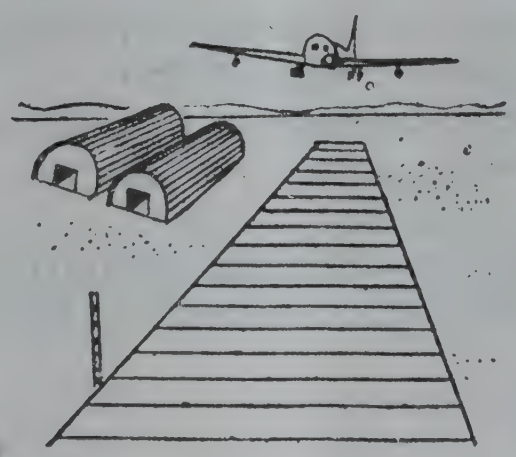
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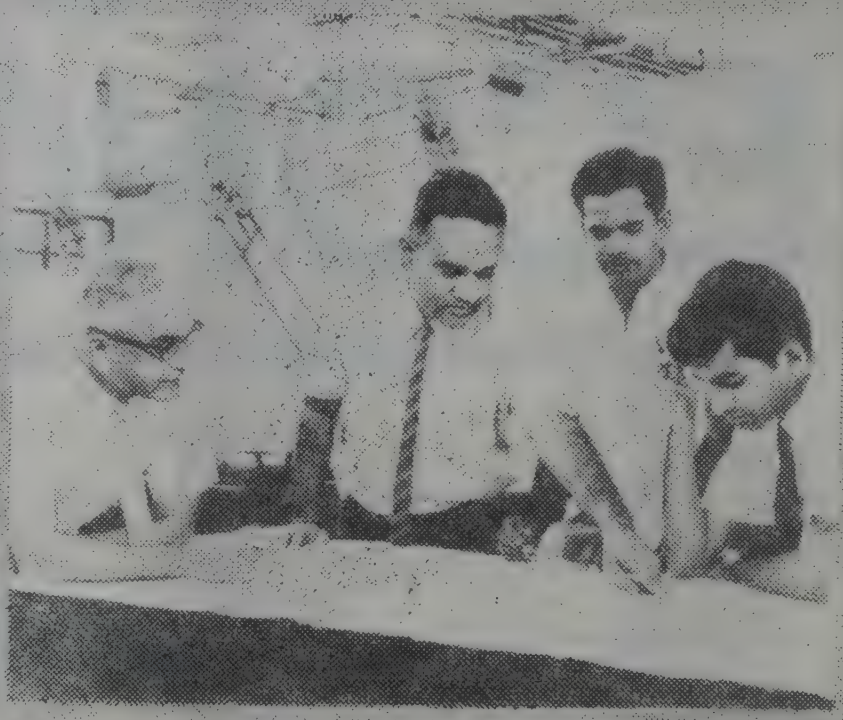
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Waiting for Kalki ?

IN THE course of a religious discourse which he delivered in the capital last week, the Sankaracharya of *Kanchi Kamakoti Matt* took note that everybody was saying that corruption had increased, indiscipline was growing and that *adharma* was flourishing and, proceeding, said that we were only in the first 'pada' or phase of 'Kali Yuga', which had four 'padas' in all. Thus three more 'padas' were yet to be gone through and it was only in the fourth 'pada', when *adharma* had increased to an intolerable extent and evil forces had grown to unbearable proportions, that the incarnation of 'Kalki', the Divine Deliverer, would take place.

The same idea, expressed in lay language, would presumably run to the effect that things would get worse before they turn better. This of course is not altogether a startlingly new diagnosis. On the contrary, the people of this country have been saying this to themselves for quite some time now and, still, according to the Sankaracharya, there are three more 'padas' of 'Kali Yuga' to be gone through. During his stay in the capital the Sankaracharya gave an audience to the prime minister, and it should be interesting to know whether any part of their talk related to this depressing prospect of a 'Kali Yuga', which was not even one-fourth finished yet and each succeeding phase of which is to see more evil at work than the one that had gone before. The prime minister herself might not have been unduly upset over this prospect. Has she not gone on record often enough as preferring the most difficult path? 'Kali Yuga', it appears, may be relied upon to indulge her to the utmost in this respect.

Mere mortals, who cannot reckon their daily lives in terms of a time-span stretching over a 'yuga', or even a 'pada' of a 'yuga' cannot obviously wait for the coming of 'Kalki'. On the contrary, they have a right to demand of their rulers that they be a little less corrupt if that is possible and a little more efficient which should not be impossible. For instance, what was a marginally difficult food situation has been successfully converted into an unholy mess of extensive scarcities and unduly high prices by a food policy which has disrupted normal trade channels while deliberately ignoring the reality that the government is in no position to organize procurement or public distribution on an efficient or adequate scale. Simultaneously, the inflationary pressures have been aggravated by a rate of government spending unsupported by real resources and maintained only through the printing of currency or the expansion of bank credit to an extent which is upsetting the stability of the economy. The predictable result has been that goods are getting scarcer all round, with people finding that the essentials of daily consumption are becoming harder to obtain. There is, for instance, a general shortage of cooking fats in the land, and even such supplies as are available are going out of the reach of the lower- or middle-income groups because of rising prices. There is operating, in fact, a cruel and ugly scheme of government-caused maldistribution functioning in the country under the pitiless discipline of rationing by the purse. Thus, under the banner of 'garibi hatao', the government has been leading the people towards a situation in which there is more and more poverty for more and more people. Will this ruinous procession stop or even halt at all? Could nothing be done until 'Kalki' himself would incarnate?

In any case, the little that is being done does not seem to make much sense. Take, for instance, the putting up of the Bank rate to seven per cent. This may please the pandits and the purists; but of what practical significance is it in a situation where the cost of money, if this is a consideration at all, may only act to discourage the more productive, but not necessarily the more profitable, uses of capital? In any case, is there not a tragic irony in the fact that the nationalization of the leading commercial banks should have been followed by an almost complete breakdown in the supervision or control exercised by the central banking authority on the commercial banking system? State ownership of the 14 largest commercial banks has, instead of enabling the Reserve Bank to discharge its central banking functions more effectively, only diluted its authority over banking operations. Perhaps nothing has been more deplorable in the history of nationalised banking to date than the reduction in the status of the Reserve Bank from the position of a bankers' bank to the place of an attached office of the Finance ministry in New Delhi.

But, then, even a worm will turn, and while it may still be debated whether the Reserve Bank should have waited till it had been made into a worm, it is a matter for some consolation that this worm has at last turned. It may not be strictly true that there was no occasion previously when the government was advised or admonished by or on behalf of the Reserve Bank that monetary discipline could not work in the absence of fiscal discipline but, considering the political circumstances prevailing at present, the credit must be given to the Reserve Bank that it has not hesitated to tell the government that what matters is not how much dearer money is made but

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what the government itself would be doing to curb its own spending. It is true that the government for its part seems to be upset by the rate at which deficit financing is going up, but the laconic announcement that the Finance ministry has instructed government departments to slow down their rate of spending cannot be reassuring enough in the absence of a major policy statement reordering priorities and ruthlessly eliminating spending schemes of the second order of importance.

Above all, it is most disquieting that, so far as current industrial production or investment in expansion is concerned, the ministers or the ministries are acting as if they have nothing more to do about their responsibilities than carry on business as usual. There is no sense of urgency anywhere in the government either to push ahead with power or fertilizer planning or to deal with proposals for the expansion of existing industrial capacities or the establishment of new industries. On the contrary, even those industries the products of which are already in short supply or which are expected in the fifth Plan to achieve high rates of growth, are daily learning to their dismay that the secretariat in New Delhi is as incapable as ever of taking quick, positive decisions. From this point of view, the new industrial policy statement has been nothing more than a joke in bad taste. Even when those who sponsor expansion schemes or new industrial projects are in a position to quote chapter and verse in support of their applications, they are unable to elicit any constructive response from secretaries to the government or the ministers.

At this rate, the gap between the basic needs of a growing population and the production of goods and services in the community is bound to widen and with it must increase the evils of corruption in politics, business and administration, indiscipline in national life and other attributes of the 'Kali Yuga'. Meanwhile, may nothing more hopeful be said to a suffering people than that there is no relief nearer at hand than the end of a 'yuga' when 'Kalki' would incarnate?

Partners in progress

THE FOUR-day visit to this country of Mr E.G. Whitlam, prime minister of Australia, has resulted in strengthening the bonds of friendship and cooperation between the two countries. Apart from the agreement on the creation of a zone of peace in the Indian Ocean and Australia's unstinted support to the joint Indo-Bangladesh offer to Pakistan, Mr Whitlam's discussions with the prime minister, Mrs Indira Gandhi, and other senior ministers are expected to lead to increased collaboration between India and Australia for the establishment of new ventures both in agriculture and industry and are likely to result in enhanced technical aid to this country in the coming years.

The joint communique issued on June 6 at the end of Mr Whitlam's visit stressed the importance of regional cooperation which could broaden understanding among nations and bring about economic and social advancement of countries in the region. However, attention was drawn to increasing concern caused by the widening gap between the levels of living in the developed and developing countries. Both prime ministers were of the view that the gap must be reduced and eventually bridged in the interest of peace and harmony among nations. It was made abundantly clear by the communique that Australia wanted to play its rightful role in the area. It seems that Britain's entry into the Common Market has made Australia realise that it could no longer continue to look to Europe for inspiration and that it could certainly further its interests in a vigorous manner through increased colloboration with its neighbours. That is why Mr Whitlam showed his inclination for the forming of a regional association of Asian countries to look after the security and economic prosperity of the region without depending upon big powers. This idea of regional cooperation was explained by him to Sardar Swaran Singh, the External Affairs minister.

Australia's assistance to our country commenced with the coming into being of the Colombo Plan in 1951. While most of the bilateral aid so far has been in the form of food, our country has benefited from the activities of such international organisations as the World Bank and the various United Nations agencies to which Australia has made financial contributions from time to time. Currently, there is no possibility of our receiving any food aid from Australia because, like our country, it had experienced last year extensive drought and consequent reduction in the production of foodgrains. It has therefore no spare stocks of foodgrains.

Among the major projects in Australia's aid programme to our country, mention needs to be made of the modern automatic bakeries set up in Delhi, Madras, Ahmedabad, Cochin, Bombay and Calcutta. Thls programme has been so successful that plans are now afoot to start the second phase wherein additional automatic bakeries for other urban centres would be supplied by Australia. While Australian engineers would assist in the installation of new plants, Indian members of the staff for these units would be trained in Australia.

For meeting the rising demand for milk in this country, Australia agreed in 1966 to supply high-yielding stud cattle to complete the cross breeding programmes. Most of the cattle used in these programmes came to this country during the last seven years as aid from Australia under the Colombo Plan. Australia has consented to continue to supply cattle as well as live stock specialists to give a further push to this programme.

With assistance from the United Natlons Educational, Scientific and Cultural Organisation (UNESCO), our government set up in 1959 the Central Arid Zone Research Institute at Jodhpur. While the Commonwealth Scientific and Industrial Research Organisation (CSIRO) played an active part in the planning and development of this institute, Australia gave laboratory equipment as assistance under the Colombo Plan. Additional equipment for carrying on research work in the institute is expected shortly. Mr Fakhruddin Ali Ahmed, the union minister for Agriculture, is reported to have requested Mr Whitlam (the two met at Rashtrapati Bhavan on June 6) to expedite the despatch of the scientific equipment which is holding up work of the researchers at the institute.

Four years ago, the Indo-Australian Sheep Centre was set up at Hissar (Haryana) with the aim of breeding stud Corriedale rams whose progeny is planned to be used for cross breeding with indigenous sheep to upgrade the quality of local wool and mutton. Australia has agreed to fly more than 5,000 sheep for this purpose. The services of experts and veterinary officers have been provided by Australia at this centre. At his meeting with Mr Whitlam, Mr Fakhruddin Ali Ahmed made the request that Australia should supply merino sheep for the cattle farms at the centre. He assured Mr Whitlam that this country would not compete with Australia in the world markets either in regard to merino wool or mution. The government of India, Mr Ahmed is reported to have said, wanted to keep a check on the prices of synthetics by encouraging the production of wool.

Again, the Australian Forest Research

Institute has been supplying this country with seeds for growing eucalypt trees. It provides us with seeds worth $ A 10,000 each year and many of the consignments are received here on an exchange basis. Indian seeds exported to Australia are those of teak and sal trees. Deodar cedar from the Himalayas is planted in Australia not for timber but as an ornamental tree. Mr Fakhruddin Ali Ahmed has asked for Australian help for the development of seeds for grass and pastures. It is believed that the Australian variety of seeds for grass is extremely good and is suitable for quick multiplication. It will not be the first time that this country would be receiving these seeds from Australia. The first consignment of these seeds came to our country from Australia in 1933 and since then more than 4000 seeds lots of tropical legumes and grasses have been received.

In fact, both Australia and India have common agricultural problems as their vast land masses have a number of climatic similarities. Droughts and floods are constant threats to crops in both the countries. The solutions to these problems found in one country can be availed of in the other. For example, Krishnaswami sorghum, a hybrid developed by the Indian Council of Agricultural Research in Madras, has been introduced in Australia. The plant was registered in Australia in 1967 after successful trials by the Australian Commonwealth Scientific and Industrial Research Organisation's division of Tropical Pastures in Brisbane. Commercial plantings of the sorghum in Queensland are now yielding a bulk of the feed.

In his discussion with the finance minister, Mr Y.B. Chavan, Mr Whitlam made it abundantly clear that Australia was in favour of linking Special Drawing Rights (SDRs) with development finance. It may be recorded that this proposal put forward by our country at the recent meeting of the International Monetary Fund was not approved by the developed countries. This "less doctrinaire view" taken by Australia is a clear indication of the fact that it is keen to play its rightful role in Asia and is also anxious to join hands with our country in working out plans for the development of the relatively less developed economies of this region.

Last year, the Australian pavilion at Asia 72 drew large crowds as a variety of products of interest to traders had been put on display there. Of special interest were wool textiles and the latest processing techniques, radio-telephone systems, agricultural machinery, electronic hardware, motor cars and agricultural aircraft. One of the Australian companies had exhibited refrigerated tanks for bulk storage of milk, using refrigeration condensing units evolved after 30 years of research and development. Also exhibited were some of the minerals such as lead, nickel and zinc which are currently being imported into this country from Australia. The participation of Australian firms in Asia 72 did a lot to bring the two countries together and there is every possibility of increased flow of trade between India and Australia in the coming years.

Kharif crop prospects

IF THE latest expectations of the meteorological department come out to be true, it should not be difficult to attain the production targets proposed by the union government for the next kharif season. The meteorological department is reported to have informed the government that, according to the June assessment, the rainfall this year is likely to be up to 107 per cent of the normal in Maharashtra, Gujarat, Madhya Pradesh, Telengana, interior Mysore, coastal Andhra Pradesh and coastal Mysore (excluding south Kanara) and above 92 per cent of the normal in Jammu and Kashmir western Uttar Pradesh, Haryana, Punjab, Himachal Pradesh, Delhi, Chandigarh and Rajasthan. Reports from eastern India, where some showers have already been received, are not in any way discouraging.

Although previous experience shows that the meteorological forecasts have an element of error of as much as 20 per cent, the above assessment may not be so far wrong as it marks an improvement, though modest, over the first one made in May. According to the May assessment, the rainfall during the coming monsoon season was expected to range between 94 and 98 per cent of the normal. The percentage has gone up, instead of going down, in the June forecast.

Against this backdrop, the kharif production targets cannot be termed as ambitious. Out of the targetted output of 115 million tonnes during the next agricultural year, the kharif crop is expected to yield 67 million tonnes. The crop-wise break-up (in million tonnes) is anticipated to be: rice (autumn and winter) 40.50; Jowar 6.00; bajra 6.50; maize 6.50; ragi 2.50; small millets 1.50; and kharif pulses (including tur) 3.70. The record production of most of these grains till now has been in 1970-71. In that year of good rainfall, the crop-wise output (in million tonnes) was: rice 42.20; jowar 8.10; maize 7.50; bajra 8.00; ragi 2.80; and pulses nearly 4.00. The peak (9.8 million tonnes) in jowar production was achieved in 1968-69. Rice and jowar are also grown in seasons other than kharif—the former in summer in east India and the latter in the zaidi rabi season. But this output of rice and jowar till last year was not very significant. The summer rice production picked up fairly well last year. Taking these facts into

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The scheme of control over the cotton industry outlined by Mr Hydari, Secretary, Department of Industry, Government of India, was comprehensive and all embracing and contemplated an interference in the affairs of an industry justifiable only as indispensable in public interests. Control seemed to be the more obnoxious and dengerous because of the fear of imposition from above and of the possibility envisaged in the original scheme of creating "a vast bureaucracy completely divorced from any knowledge of the textile industry sitting in their offices and dictating to the millowners." That fear has since been dispelled and as a result of the discussion between the Government and the industry it is now definitely understood that the administrative machinery will be not merely composed of mills' representatives but, subject to the retention by Government of the necessary residual powers, will have full autonomy to settle all matters relating to control. This concession has removed what at first seemed to be a formidable obstacle to agreement. By seeking the cooperation of the mill industry at least at a later stage and by clothing the machinery of control with ample powers, the Government have avoided the danger of an inevitable failure. But success is not necessarily assured. The relief, if not enthusiasm, felt in many quarters as soon as the news of an agreement between the Government and the industry was known is slightly misplaced as success is conditioned by many factors of which not sufficient account has been taken in discussions on the question.

consideration, it cannot be said that the kharif production targets would in any way exceed the maximum outputs realised so far.

Apart from the expectation of a normal rainfall in most parts of the country, particularly in the major coarse grains producing areas, two other significant points to be noted are: (i) the proposed increase in the area under kharif cultivation from 123.35 million hectares to 126.25 million hectares, and (ii) the extension of area under high-yielding varieties of seeds from 22.50 million hectares to 25 million hectares. These increases are by no means beyond achievement.

Efforts are also being made to streamline irrigation facilities. The state governments have been asked to get command areas of all the irrigation projects—large, medium and small—in their jurisdiction surveyed by teams comprising irrigation engineers, agricultural scientists and the officers looking after the arrangements regarding credit and farm inputs. Short-term loan assistance to states to the extent of Rs 30 crores is being arranged for the supply of farm inputs. A crash programme for educating farmers in the use of modern agricultural inputs, particularly in areas of high potential, is being launched.

The major difficulty that may be expected would relate to the procurement of adequate supplies of fertilizers. Although it has been claimed that an all-out effort is being made to step up domestic production, the acute power shortage since October has been affecting output to no small extent. It is debatable whether it will be possible to raise domestic production of fertilizers quickly with the restoration of adequate supplies of power. Imports too may not be easy because of the growing world-wide shortage of plant nutrients. Concentrating on the high potential areas in the matter of supply of fertilizers, therefore, would be a sensible policy to follow. Care has also to be taken to curb political interference in the distribution of farm inputs. This interference tends to aggravate matters in periods of shortages. It is, however, encouraging to note that teams have been sent out from New Delhi to find out the bottlenecks in the supplies of farm inputs and credit requirements so that corrective action may be taken in time.

The raising of the kharif output is not the only matter that needs the attention of the government if the current difficulties on the food front are to be overcome. It is now acknowledged on all hands that the experience of wheat procurement, after the state take-over of wholesale trade in it with the onset of the current rabi marketing season, has not been happy. Wheat procurement this year has not only lagged much behind the target but also has been substantially lower than during this period last year. Even the latest official estimate puts this year's likely procurement of wheat at not more than six million tonnes, as against the target of 8.12 million tonnes, notwithstanding the fact that the last rabi crop has not been smaller than the previous one. Confronted with this prospect, the union government has decided to import two million tonnes of wheat so that the difficulties of the period up to the marketing of the next kharif crop can be obviated. This should suggest that additional imports of foodgrains cannot be ruled out if the next kharif crop does not come up to expectations. Indications are that imports of coarse grains from Sudan are also being considered.

In order to induce farmers to part with their surplus wheat, certain incentives are being thought of in the light of the recommendations of the task force which was set up last month under the chairmanship of the minister for Heavy Industries, Mr T. A. Pai. These include the issue of coupons to a certain value over and above the price paid for the wheat procured—the figure being talked of is Rs 5 per quintal—which can be exchanged for essential farm inputs. The procurement price of wheat—which, in effect, has already been stepped up by about Rs 3.5 per quintal through the Food Corporation of India itself bearing the commission of the kaccha arahatiyas and a major portion of the transport costs which the farmer had to bear in bringing his produce to the marketing centres—is thus being sought to be raised substantially in an indirect manner.

This should prompt the government to raise the procurement price for rice. A decision in this regard is expected to be taken by the middle of this month. A marginal increase in the procurement price of paddy obviously will not do. In the changed circumstances of today, it is imperative that a clear distinction is made between the "support" and "procurement" prices. Hitherto, the procurement prices have been, by and large, equated with support prices. When the state is the sole purchaser of a commodity, it has to relate its procurement price to the notional market price of the commodity concerned.

In view of the widespread malpractices in the procurement of wheat—they are common knowledge and therefore need not be dwelt upon here—and the fact that the difficulties on the food front are likely to persist, the government should surely reconsider its plan for the take-over of the wholesale trade in rice from the next kharif marketing season and enlist the co-operation of the trade. Besides improving procurement prospects, this will help in containing the milling charges. Reports suggest that a demand has been raised in some parts of the country for an increase in these charges. The basis for this demand is that the millers will in future have to depend primarily on their earnings from this source as they will no longer be able to trade in the commodity even to the limited extent they are doing at present. A pertinent parallel to this phenomenon is the sharp increase in the ornament-making charges after the introduction of gold control in 1963.

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A historical cum-regional survey

Foodgrains self-sufficiency in Bihar, 1911-66

Parimal Ch. Mukherjee

THE purpose here is to estimate the net output of cereals, pulses and foodgrains (which include both cereals and pulses) in the light of standard nutritional requirements of 14 oz. of cereals and 3 oz. of pulses per day per adult consumption unit and the growing population of Bihar; and thus to estimate the extent of surplus or deficit of such items of foodgrains separately for the pre-Independence and post-Independence periods. For the purpose of analysis, the pre-Independence period covers 38 years (1911-12 to 1948-49) while the post-Independence period covers 18 years (1949-50 to 1966-67). The apologia for the separate expositions of pre-1949 and post-1949 data is two-fold: for the earlier period the crop area was given by 'chaukidari' reporting and the farm output was based solely upon the traditional eye-estimation series, while for the later period the cropped area is based upon complete enumeration of area and the output of major crops is increasingly based upon survey data obtained through scientific crop-cutting experiments.

unsettled controversy

It is a generally-held hypothesis that the traditional series suffers from an under-estimation bias arising out of the pessimistic outlook of the 'patwari' leading to under-estimation of a bumper crop, and also that the variance of the traditional output is lesser due to under-estimation of a bumper crop and over-statement of a lean crop. The concept of 'normal yield' and the subjective 'condition factor' also clouded the issues. This controversy between the two output-series seems to be still unsettled although a few researchers have increasingly felt that there is no harm if the traditional output series is dovetailed to the survey output series. Taking shelter beneath such an unsettled controversy tending to favour broad comparability of the two series, our contention in this paper has been that the traditional series of Bihar can be dovetailed to the survey series without much loss of comparability. The under-estimation evidence of Crop Survey Data of Bihar, 1944-48 (vide Ref. 3), politically motivated as the farm area/output data of Bihar for this period had been due to war control orders on foodgrains, does not seem to be convincing to us. For details of the controversy between the traditional and survey output series, see Refs. 4 through 8 and for the political motivation of the output data of 1944-48, see Ref. 9.

two-fold time-phasing

Another explanation for this two-fold time-phasing lies in the availability of farm output data. For the pre-Independence era, outputs of only five major foodgrains—Rice (both autumn and winter), wheat, barley, maize, and gram, were published in the Annual Season and Crop Reports, while for the post-Independence era, the outputs of a larger catalogue of foodgrains are reported in the annual season and crop reports, issued by the government of Bihar, besides the outputs of minor food crops available in manuscript form in the four seasonal registers of the Directorate of Statistics and Evaluation, government of Bihar, Patna. In view of such data-limitation self-sufficiency in cereals alone could be examined for the pre-Independence period, but for the post-Independence period the detailed self-sufficiency analysis separately for cereals, pulses and foodgrains however, was possible. Such post-Independence output of total cereals includes the seperate output of rice, wheat, barley, maize, ragi, small millets, jowar and bajra, while the separate outputs of gram, arhar, khsaeri, mung, masoor, urad and other pulses define the output of total pulses. The other features of analysis are as follows:

features of analysis

(i) The net output of cereals/pulses/foodgrains is obtained as 87.5 per cent times gross output, thus allowing a wastage of 12.5 per cent for storage and other depreciation costs (vide Ref. 1)

(ii) A more satisfactory measure of self-sufficiency is provided by net availability of foodgrains (net output + imports — exports) rather than the net output data used here. This, however, could not be avoided due to total absence of export-import data of districts;

(iii) The adult population is roughly defined here as 0.8 times total population, a conversion factor used by other researchers (vide Ref 1. p. 21 and 10, p. 74). But for greater sophistication, the dietary needs should be made a function of age and sex of the consuming unit, a criterion adopted by the census Atlas of Bihar (vide Ref. 11, Map 60). Such refinements, however, could not be adopted here due to the absence of relevant time series data.

(iv) Having thus defined the adult consumption unit or population and the standard nutritional requirements of cereals and pulses which work upto 144.8659 tonnes of cereals and 31.0427 tonnes of pulses per thousand adult consumption units per annum, the estimates of surplus (+) or deficit (—) have been obtained by comparing the standard requirement data with the actual net output data of each variety of foodgrains. For a regional-cum-historical survey, such per capita estimates, however, are

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based upon a number of assumptions and abstractions which may be summarised as follows: (vide Ref. 12) : (a) Such norms have an air of absolutism about them as if they cannot be adjusted downwards in years of famine; (b) the prevalent consumption standard, habits and requirements and production etc of different regions may be so different as to be unsuitable for such standard norms (for more comments on the districts of Bihar, See also Ref. 10); (c) the pipe-line stocks of traders are ignored in this analysis which assumes that the whole of net output produced in the economy is also available for consumption; (d) 33 per cent of marketed surplus of foodgrains is also not taken into account; (e) the analysis abstracts from the distribution of farm products in the farm itself between hired labour and the landlord under the 'batai' system, for example; (f) it also ignores differences in purchasing power, income-levels and responsiveness to price-changes of different regions; and (g) last of all, private trade does not distribute foodgrains on per capita equity basis but on the principle of maximum profit. Nevertheless, in a broad and a general way, such per capita figures in a historical series provtde a useful study for measuring fluctuations of per capita real welfare of the community.

statistical problem

(v) As already pointed out earlier, the output of only four major cereals, rice, wheat, barley and maize, was available for the pre-Independence period (1911-48). For preparing the total output of cereals it was therefore necessary to estimate for this period the outputs available of ragi, small millets, jowar and bajra which were also grown in the economy. This statistical problem has been resolved for each unit and year of the pre-Independence period by multiplying the total output of major cereals by the geometric mean of the ratios of outputs of total cereals to major cereals in the case of each unit of enquiry as available for the period 1949-65. While calculating such geometric means for each district, the famine year output data of 1966-67 has been deliberately left out because of its abnormal behaviour.

It may be noted that such geometric means have been calculated for the districts only because the aggregated data of natural divisions or the state as a whole can be easily obtained by totalling up. The geometric mean of Bhagalpur district has been obtained by using Bhagalpur data upto 1951-52 and by aggregating the data of Bhagalpur and Saharsa for the period 1952-65, while the mean obtained for Dhanbad district has been made applicable to Manbhum district. The calculated geometric means used in this analysis for estimating the total output of cereals from that of major cereals are noted in brackets against each district as follow: Patna (1.0144), Gaya (1.0237), Shahabad (1.0182), Saran (1.0496), Champaran (1.0189), Muzaffarpur (1.0299), Darbhanga (1.0422), Monghyr (1.0307), Bhagalpur (1.0193), Purnea (1.0126), Santal Parganas (1.0320), Hazaribagh (1.0965), Ranchi (1.1458), Palamau (1.1036), Manbhum (1.0145), and Singhbhum (1.0283), Thus such geometric means have been calculated for all the 16 districts of pre-Independence Bihar province.

fasli cycle

(vi) The analysis in this study is defined in terms of the Fasli year (July-June) which operates in the farm economy of Bihar. Consequently, the farm output-cum-population data have been allowed to be centred on the month of December, which is the mean month of the Fasli year. It has been assumed here that the annual output data are always available in the month of December which is the mid-month of the Fasli year. So far as Census data on total population are concerned, such centring of data has been done by assuming that the Census data are always available in the month of March of each Census year. By such devices the analysis has been made conformable with the Fasli cycle operative on the farm economy of Bihar.

(vii) The time-series of total population of each unit has been completed by applying what we call 'the modified geometric growth-rate formula' which is defined as follows:

$$g = \left(\frac{P_1 - P_0}{P_1 - P_0} \right) \times \frac{2}{t}$$

$$\text{or,} \quad P_1 = P_0 \left(\frac{2+gt}{2-gt} \right)$$

Where
g implies the modified geometric growth-ratio which when multiplied by 100 gives the per annum percentage modified geometric growth-rate; and P_1 and P_0 are the populations (in thousands) of the census years 0 and 1 respectively; and t is the number of years of inter-censal period between the years 0 and 1.

This modified geometric growth-rate formula is an adaptation of the regular annual geometric growth-rate formula: $P_t = P_0 (1+g)^t$. The modified formula thus emphasises on mean values and the growth-rate gets accelerated as we move away from the origin. We were tempted to use this formula since it was handy and easy to compute; hence it could be very conveniently applied for the massive interpolations/extrapolations needed for our analysis. Such formulae were applied on the district data, which were first centred on the month of December because the data of composite units—the three natural divisions and the farm economy of Bihar as a whole—could be always obtained by means of aggregation.

Such modified geometric growth-rates for each unit have been calculated for the periods: (1911-21), (1921-31), (1931-41). (1941-51), and 1951-61). The rate between 1951-61 has been extrapolated upto 1966-67 for completing the time-series with the following exceptions: the 1941-51 growth-rate of Manbhum district has been extrapolated upto 1954-55; the 1951-61 growth-rate has been interpolated for the district of Saharsa from 1952-53 and for the district of Dhanbad from 1955-56. By such devices the centred population data of the entire series of 56 years could be constructed.

another limitation

(viii) This brings us to another limitation of our study. Our analysis is based upon the then composition and jurisdiction of units and no adjustments have been provided on present composition and jurisdiction of such units. The adjusted population data on present composition and jurisdiction of units, however, have been prepared by the Census office. But since the farm output data could not be similarly adjusted, we thought it discreet to use both unadjusted population data as well as output data. This makes our analysis non-comparable over-time, to some extent, specially in view of the Transfer of Territories Act of 1956 according to which a few thanas of Purnea district and a large area of the then Manbhum district were transferred to West Bengal as a consequence of which the new district of Dhanbad came into existence round about 1955-56. Apart from such territorial transfers, some changes also occurred for administrative reasons. Round about 1954-56

the undivided Bhagalpur district was divided into the districts of Bhagalpur and Saharsa while the two native states of Saraikela and Kharswan were merged with the district of Singhbhum. The areas of other districts, however, have changed only negligibly for administrative reasons. Thus the analysis on the then composition and jurisdiction of units makes the data incomparable for some of these units while the aggregated data of Bihar state becomes non-comparable as a consequence. The aggregated data of natural divisions also become non-comparable after 1951-52 not only due to territorial transfers but also due to the regional frame-work adopted by us in this study.

(ix) Broadly the farm economy of Bihar, if the small tract of area of Champaran district is excluded, has two types of soil—the alluvial soil of the Gangetic plain and the red, laterite soil of the Plateau districts. Since the alluvium of the northern plains is of lighter variety while that of the southern plains is of heavier texture, we have in this study demarcated three natural divisions of the farm economy of Bihar as follows:

(a) The North Bihar plains comprising the districts of Saran, Champaran, Muzaffarpur, Darbhanga, Saharsa (since 1952-53) and Purnea;

(b) The South Bihar plains comprising the districts of Patna, Gaya, Shahabad, Monghyr and Bhagalpur (which included the sub-district of Saharsa upto 1951-52); and

(c) The Chotanagpur plateau comprising of the districts of Santal Parganas, Hazaribagh, Ranchi, Palamau, Manbhum (upto 1954-55), Dhanbad (since 1955-56) and Singhbhum.

deciding factor

The division into the two plains has been made according to the flow of the river Ganges which runs from west to east in the state, the exceptions being the few thanas of Bhagalpur district and less than half of Monghyr district. In the scheme of regional break-up adopted by us in this study, the soil-composition becomes the deciding factor. In a broad and a general way while the northern plains specialise in horticultural and commercial crops, the southern plains concentrate on the production of rabi crops while the single cropped paddy cultivation is an important characteristic of the plateau districts. A more refined schema of regionalism for the farm economy of Bihar, based upon agro-economic characteristics of districts (vide Ref. 13) would have four zonal units as follows: (i) the Kosi canal area comprising the districts of Saharsa and Purnea; (ii) the dry cultivation area comprising the districts of Saran, Darbhanga and Muzaffarpur; (iii) the double cropping and intensive cultivation area comprising the districts of Patna, Gaya and Shahabad; and (iv) the plateau region comprising the six districts of Chotanagpur plateau as adopted by us. Our analysis provided here can, however, be cast into such zonal units. Such zonal divisions, however, exclude the three districts of Champaran, Monghyr and Bhagalpur on account of which we have overlooked such agro-economic characteristics of zonal units and have sub-divided the farm economy of Bihar into three natural divisions on the basis of soil-characteristics.

II

The estimated data has been cast into Tables I through V, with approximations running in terms of thousands as follows:

Table I presents the data on adult consumption units;

Table II presents the standard requirement data of cereals/pulses/foodgrains in the light of standard nutritional requirements;

Table III presents data on net output of cereals/pulses/foodgrains. For the pre-Independence period the estimates of net output of cereals alone could be prepared;

Table IV presents data on surplus (+) or deficit (—) of items of foodgrains obtained by subtracting the net output data from the requirement data;

Table V presents data on per day per adult consumption unit net output (in oz.) of cereals, pulses and foodgrains.

For the purpose of exposition, the pre-Independence data has been broken into four time-segments of (1911-20), (1921-30), (1931-40), and (1941-48) while a more detailed analysis of the post-Independence period has been provided through six trienniums of (1949-51), (1952-54), (1955-57), (1958-60), (1961-63) and (1964-66). For each sub-period average annual data have been provided in the tables to each of which the annu data of 1918-19 and 1966-67 have be tagged to provide a spotlight on increa ing famine-sensitivity of the farm econor of Bihar. Two more limitations of th study may be noted: (i) the estimates consumption units (1961-66) are not bas upon 1971 census figures which were n then available. If 1971 figures are no used, the estimates may look slight different; (ii) in our analysis the a pearance or disappearance of units suc as Saharsa, Manbhum and Dhanbad based upon the availability of farm da and such dates may not necessarily coi cide with the official inauguration dat of such units.

local variable

The analysis of surplus or deficit cereals for the pre-Independence perio (1911-48) and that of cereals/pulse foodgrains for the post-Independenc period (1949-66), as presented below, a stracts in general from the causative fa tors of population-growth, colonial far exploitation or Plan-era farm growth the economy—the focal variable of o analysis being the nature of margin be ween the standard requirement of outp and the actual net output data. Such a examination, besides being based upo the then composition and jurisdiction units, is at best confined to only tw items of foodgrains—the other const tuents of a balanced diet such as mil animal products, fats and oil, fish, mea eggs, fruits and vegetables, although ca able of estimation, have been ignored this study. Our hypothesis runs follows: (a) for the pre-Independen period, if the net output of cereals p day per adult consumption unit excee 14 oz. of cereals, we have surplus; in t reverse case, deficit in the economy; (for the post-Independence period, if su net output of foodgrains (cereals a pules) exceeds 17 oz., we have surplu otherwise deficit in the farm econom To cut short the analysis, such an e amination of surplus or deficit is defin here in terms of Bihar state data since t behaviour of other units can be inferr from the tables. Nevertheless, such da of natural divisions or districts are occ sionally invoked to highlight certa peculiarities of farm supply responses such areas.

The broad conclusions of the stu are summarised as follows:

(i) On the basis of columns 2, 5 and 11 of Table III, it can be conclud that farm exploitation was quite rampa

during the colonial rule in this province (1911-48) since between 1911-20 and 1941-48, the annual average output of cereals for the state decreased by about 40 per cent from 5979,900 tonnes to 3481,000 tonnes. However, the fall in the latter period is presumably exaggerated in view of war-time Foodgrains Control Orders on rice and wheat operative in the province, which with procurement prices ruling well below the current market prices of such crops led to the deliberate under-estimation of both area and output of such products by the 'patwari' who was not much different from the rank and file of villagers—for documentary evidence, (see Ref. 9). Nevertheless, such staggering shortfalls of output bear a sad commentary on the colonial exploitation of this province of Permanent Settlement, especially in view of the fact that the comparability of data of this period had not been lost since no territorial changes took place while the methodology of estimation of area and output remained invariant. Such instincts of farm exploitation—under the impact of what Thorner calls 'built-in depressor' (vide Ref. 14, p. 57) were universal except for some units and periods noted against each as follows. Saran and Manbhum (between 1931-48); Muzaffarpur (between 1911-30; Santal Parganas (between 1911-30 and also between 1931-40); and Ranchi (between 1931-48).

progressive deterioration

(ii) Given such exploitative instincts of colonial rule and the general demographic upsurge since 1921, it is easy to infer the progressively deteriorating cereal supply position of the state throughout the pre-Independence period (1911-48), vide columns 2, 5, 8 and 11, Table IV. The state opened with an annual average surplus of 2597,800 tonnes during the first decade (1911-20) which margin got whittled down to 1412,300 tonnes during the next decade (1921-30). During the next period (1931-40) cereal surplus is converted into an average annual deficit of 218,700 tonnes which enlarged to 913,500 tonnes during the closing period (1941-48). This deficit of 1941-48 is presumably over-rated here if the political motivation of war-time Foodgrains Control Orders, already referred to, are taken into account. Nevertheless, a surplus of about 2600,000 tonnes of cereals being converted into a deficit of about 913,000 tonnes of cereals in the course of 38 years of British rule in the province is itself big enough to attract attention. Bihar's farm crisis thus originated between 1931-40 and in this respect Bihar's farm story is not materially different from the all-India story (for details, see Refs. 15 and 16). Ref. 15, for example, quotes 1933 estimates of Sir John Megaw for rural areas of British India, where 39 per cent of total rural population was estimated to be badly nourished, 41 per cent poorly nourished while only 20 per cent was properly nourished. Similar figures for Bihar were 42 per cent, 40 per cent and 18 per cent respectively. Thus Bihar's food supply condition and incidence of malnutrition were worse than the all-India averages in the colonial period, a feature which perpetuates itself even now (for details, see Ref. 17, p. 651 for example.). In 1964-65 while 35 per cent of all-India rural population was under-nourished, similar figure for Bihar state had been 51 per cent according to Ref. 17.

uneven deficits

(iii) The periods of emergence of cereal deficits in the pre-Independence period for different units, however, are not uniform (see Table IV, cols. 2,5,8 & 11 for details). Thc first decade (1911-20) was marked not only by maximum cereal surplus for the state, but also by surplus cereal economies for all units. In the next decade (1921-30), the districts of Patna, Saran and Palamau were the first to run into deficits. During the next decade (1931-40), the crisis deepened and became universal except for the districts of Champaran, Muzaffarpur, Santal Parganas, Ranchi and the plateau districts in general. But during the closing phase (1941-48) only three districts of Champaran, Santal Parganas and Ranchi showed a surplus. In fact, these three districts alone enjoyed a surplus status throughout 38 years of pre-Independence period under review.

(iv) During the post-Independence period (1949-66), vide columns 16, 19, 22, 25, 28 and 31 of Table III, thanks to the Plan efforts and the output booster generated by the gradual switch-over from the traditional to the survey out-put data for major crops in the state, the negative slope of farm output gets transmuted into a positive slope, demonstrating the gains achieved on the food front during the Plan period. The real increases in output were slightly lesser if the estimational bias is properly discounted. Of the six triennium data under review, the data of two trienniums (1955-57 and 1964-66), especially the latter got bogged down by unfavourable monsoon conditions, while the estimational output-booster gets perceptibly operative round about 1960's. With such comments, the average annual net output foodgrains data of Bihar for the post-Independence period ranged between 4330,200 tonnes and 6437,400 tonnes during the six triennium periods under review—the similar ranges for cereal output having been between 3495,200 tonnes and 5422,300 tonnes, while the total pulse net output data ranged between 543,000 tonnes and 1015,100 tonnes. Such ranges are slightly under-rated here in view of the territorial changes which occurred in the state in 1956. Similar ranges of other units which can be inferred from Table III are not reported here.

lagging output

(v) A scrutiny of columns 16, 19, 22, 25, 28 and 31 of Table IV, however, demonstrates that although output growths in the state have been salutary during the post-Independence period, they have failed in general to keep pace with population growth during this period. In view of observations already made, it is not surprising that for the state as a whole foodgrains gaps at 1831,600 tonnes and 1796,100 tonnes, during the trienniums 1964-66 and 1955-57 should have been the largest foods gaps, while such gaps at 318,300 tonnes and 333,100 tonnes should have been the minimum gaps for the trienniums, 1961-63 and 1958-60, respectively. During both these periods such a food gap stood in the neighbourhood of 325,000 tonnes on the average.

Such gaps for cereals or pulses are not reproduced here since they can be easily inferred from Table IV. With an average annual foodgrains deficit of 318,300 tonnes during the 1961-63 triennium, we were closest to achieving the goal of food self-sufficiency in the state in the post-Independence era. But how shaky such an optimism had been is demonstrated by the staggering foodgrains deficit of 1831,600 tonnes during the next triennium, 1964-65, which was unduly influenced by the catastrophe of 1966-67. Thus even now Bihar agriculture continues to be a gamble with the monsoon!—in spite of what agro-economic planning has to offer. That a single year's catastrophic experience should so seriously magnify the foodgrains crisis of a triennium clearly brings into relief the helplessness of the farm economy of Bihar in the face of vagaries of nature. Thus, throughout the post-Independence period, the Bihar government in collaboration with the Planning Commission tried to court the elusive mistress of 'food self-sufficiency' but

generally without much success. The food deficit figures are slightly better if the rural population alone is considered; but nevertheless, we have now food deficits not only in terms of total popu'ation but also rural population. The farm economy of Bihar at present does not produce enough to feed its rural population, the deficit is larger in terms of total population. The saving grace is that a few districts of Patna, Gaya and Shahabad besides Santal Parganas or Ranchi have demonstrated sizeable surplases during the post-Independence period—thanks to the 'babootype' of farming which is gradually raising its head in the South Bihar plains. The food position of the plateau districts, especially with respect to cereals, has also materially improved, thanks to the balanced regional growth that the Bihar government is attempting in recent years.

(vi) Such an analysis of inter-regional and inter-temporal spread of deficits or surpluses of cereals/pulses/foodgrains, as demonstrated by Table IV for the post-Independence period can help planners and agro-economists to examine past failures or successes on the food front and to decide on future strategy to fulfil the objective of foodgrains self-sufficiency in the state.

function of variables

It may, however, be noted that such surpluses or deficits are a function of many variables—population-growth, climatic conditions. soil composition, Plan targets, fund availability, crop patterns, relative prices, irrigational potentialities or possibilities etc., all of which may not be endogenous to planning machinery—but nevertheless, on the basis of such regional studies, marginal readjustments can always be made or prescribed since in a broad and a general way we can categorise the surplus or deficit districts of the state in recent years, separately for cereals/pulses/foodgrains and specify practical programmes under each head.

Summarising the supply responses of the three natural divisions of the state, the following generel conclusions can be hazarded: In normal years the food crisis in the state is mainly caused by the North Bihar plains which has a higher population density—this region suffers from deficits of both cereals and pulses and is not in much need of artificial irrigation except for dry zones of Saran, Muzaffarpur and Darbhanga districts. Such foodgrains deficit of the northern plains should, however, be juxtaposed against the predominant horticultural and commercial crop sectors of this region. Hence given profitability of crops, there is only a limited scope of expansion of the food sector here. So population control measures should be specially intensified here. Thanks to 'assured' sources of irrigation and the recent emergence of capitalist farming, the South Bihar plains, with surplus sectors of both cereals and pulses demonstrate a more balanced crop-structure for foodgrains self-sufficiency. In the plateau districts the cereal surplus sector is generally big enough to more than counteract the deficit pulse sector. While density of population is the main problem of the North Bihar plains, the irrigation system is the mainstay of the South Bihar plains and low density of population is the main asset of Chotanagpur plateau.

present challenge

Thus while a two-frontal attack on increasing farm output and controlling popution is our general prescription, such population control measures at least for the immediate future have lesser importance for the plateau districts, The present challenge before the state is two-fold: (i) control the population, and (ii) increase output. Some marginal re-adjustments of cereals and pulses from the South Bihar plains to other regions or of cereals from the Chotanagpur plateau to the North Bihar plains may mellow down the crisis of some regions or districts—but it will amount to scratching the problem, not solving it since the absolute margin of food-gap for the state will remain unaltered.

(vii) The analysis of Table V is not pursued here since there are no independent inferences to be drawn beyond seggesting that the per capita consumption figures have had fluctuating prospects during the post-Independence period and have always remained below the standard requirements of cereals and pulses taking into account the state data as a whole. The details of the districts or natural divisions for certain periods are, however, different. We conclude our remarks by emphasising the increasing famine-sensitivity of the farm economy of Bihar (vide columns 32 & 37, Table IV) by invoking a comparison of farm performances of 1918-19 and 1966-67. Both the years were marked by a general failure of both 'Aghani' and Rabi rains, but the drought conditions of the latter year were undoubtedly more serious and widespread.

In 1918-19, thanks also to limited consumption units to sustain, for details see Table I, Bihar had a sizeable cereal surplus of 755,200 tonnes, mainly contributed by the North Bihar plains with a marginal cereal crisis in the South Bihar plains. Most of the districts enjoyed surpluses and the deficits of the remaining ones were mostly marginal. But in 1966-67, the foodgrains gap in the state reached the ominous magnitude of 4282,200 tonnes which was almost 60 per cent of our standard requirements with all economies, districts or regions experiencing a cereal crisis as well as pulse crisis, the universasality of foodgrains crisis following as a logical corollary.

This indeed is a sad commentary on the helplessness of the farm economy in the face of gambling instincts of Nature. In fact, the 1966-67 bitter experience with food prices abruptly soaring 2½ times gives the ominous signals both for the consumers and the planners. The irrigation planners of the state should carefully note that the so-called and much advertised



'assured' sources of irrigation are not so 'assured'—since they fail to work even after extension of irrigated area in the state—in case of exceptional failures of both 'Aghani' and 'Rabi' rains.

As regards inter-regional spread of rural poverty or famine-sensitivity, we have two more comments to offer: (i) In normal years the North Bihar plains are the most depressed arears while the South Bihar plains the most prosperous areas of the farm economy of Bihar—with the prosperity of Chotanagpur plateau lying in between; (ii) but in times of a crisis, such as that of 1966-67 famine, the farm economies of both the South Bihar plains and the Chotanagpur plateau are thrown into jeopardy, while the North Bihar plains alone provide the best cushion against such a crisis. Hence, in such critical years, there is a re-distribution of farm income away from South Bihar plains and Chotanagpur plateau and in favour of North Bihar plains. In so far as 1966-67 experience can be generalised, one can conclude as follows: both the South Bihar plains and the Chotanagpur plateau should be regarded as 'fair-weather' friends of the farm economy of Bihar, the real crisis friend being the North Bihar plains,

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TABLE I

An Estimate of Adult Consumption Units of the Farm Economy of Bihar (1911-66)

(Period-wise Annual Average Data in Thousand Units)

Unit	1911-20	1921-30	1931-40	1941-48	1949-51	1952-54	1955-57	1958-60	1961-63	1964-66	1918-19	1966-68
1	2	3	4	5	6	7	8	9	10	11	12	13
Patna	1273	1371	1606	1850	2015	2110	2210	2313	2425	2541	1266	2604
Gaya	1725	1820	2069	2318	2455	2576	2712	2856	3009	3170	1724	3226
Shahabad	1472	1527	1732	1981	2145	2260	2385	2517	2648	2807	1462	2858
Saran	1853	1933	2193	2366	2520	2614	2716	2823	2931	3048	1863	3088
Champaran	1540	1637	1820	1958	2016	2113	2229	2352	2482	2620	1547	2668
Muzaffarpur	2238	2281	2478	2686	2817	2941	3082	3231	3387	3552	2220	3608
Darbhanga	2337	2436	2653	2870	3015	3149	3302	3462	3630	3807	2334	3868
Monghyr	1663	1730	1944	2146	2277	2390	2517	2652	2794	2944	1642	2996
Bhagalpur	1667	1710	1860	2035	2183	1201	1268	1338	1443	1493	1646	1520
Saharsa	—	—	—	—	—	1134	1226	1332	1449	1577	—	1623
Purnea	1606	1687	1833	1957	2025	2135	2268	2470	2561	2723	1613	2779
Santal Parganas	1471	1543	1717	1817	1862	1931	1982	2103	2194	2290	1454	2323
Hazaribagh	1024	1120	1310	1463	1550	1638	1740	1848	1964	2089	1024	2132
Ranchi	1088	1163	1299	1402	1486	1547	1613	1681	1753	1829	1077	1854
Palamau	569	622	694	754	789	829	876	925	977	1033	578	1052
Manbhum	1239	1346	1540	1707	1816	1882	—	—	—	—	1239	—
Dhanbad	—	—	—	—	—	—	761	874	1009	1031	—	1232
Singhbhum	582	677	831	1023	1179	1295	1427	1574	1739	1924	595	1991
Bihar State	23347	24603	27529	30335	32150	33745	34314	36351	38405	40386	23294	41422
North Bihar Plains	9574	9974	10927	11839	12393	14086	14823	15670	16440	17335	9577	17634
South Bihar Plains	7800	8158	9211	10330	11075	10537	11092	11676	12329	12955	7740	13204
Chotanagpur Plateau	5973	6471	7391	8166	8682	9122	8399	9005	9636	10096	5967	10584

TABLE II

An Estimate of Standard Requirement of Cereals/Pulses/Foodgrains in the Farm Economy of Bihar (1911-66)

(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1911—20)			Period (1921—30)			Period (1931—40)			Period (1941—48)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	2	3	4	5	6	7	8	9	10	11	12	13
Patna	184.4	39.5	223.9	198.6	42.6	241.2	232.7	49.9	282.6	268.0	57.4	325.4
Gaya	249.9	53.5	303.4	263.7	56.5	320.2	299.7	64.2	363.9	335.8	72.0	407.8
Shahabad	213.2	45.7	258.9	221.2	47.4	268.6	250.9	53.8	304.7	237.0	61.5	348.5
Saran	268.4	57.5	325.9	280.0	60.0	340.0	310.4	67.9	378.3	342.8	73.4	416.2
Champaran	223.1	47.8	270.9	237.1	50.8	287.9	263.7	56.5	320.2	283.6	60.8	344.4
Muzaffarpur	324.2	69.5	393.7	330.4	70.8	401.2	359.0	76.9	435.9	389.4	83.4	472.8
Darbhanga	338.6	72.5	411.1	352.9	75.6	428.5	384.3	82.4	466.7	415.8	89.1	504.9
Monghyr	240.9	51.6	292.5	250.6	53.7	304.5	281.6	60.3	341.9	310.9	66.6	377.5
Bhagalpur	241.5	51.7	293.2	247.7	53.1	300.8	269.5	57.7	327.2	294.8	63.2	358.0
Saharsa	—	—	—	—	—	—	—	—	—	—	—	—
Purnea	232.7	49.9	282.6	244.4	52.4	296.8	265.5	56.9	322.4	283.5	60.8	344.3
Santal Parganas	213.1	45.7	258.8	223.5	47.9	271.4	248.7	53.3	302.2	263.2	56.4	319.6
Hazaribagh	148.3	31.8	180.1	162.2	34.8	197.0	189.8	40.7	230.5	211.9	45.4	257.3
Ranchi	157.6	33.8	191.4	168.5	36.1	204.6	188.2	40.3	228.5	203.1	43.5	246.6
Palamau	82.4	17.7	100.1	90.1	19.3	109.4	100.5	21.5	122.0	109.2	23.4	132.6
Manbhum	179.5	38.5	218.0	195.0	41.8	236.8	223.1	47.8	270.9	247.3	53.0	300.3
Dhanbad	—	—	—	—	—	—	—	—	—	—	—	—
Singhbhum	84.3	18.1	102.4	98.1	21.0	119.1	120.4	25.8	146.2	148.2	31.8	180.0
Bihar State	3382.1	724.8	4106.9	3564.0	764.6	4328.6	3988.0	854.5	4842.5	4394.5	941.7	5336.2
North Bihar Plains	1387.0	297.2	1684.2	1444.8	310.4	1755.2	1582.9	339.2	1922.1	1715.1	367.5	2082.6
South Bihar Plains	1299.9	242.0	1371.9	1181.8	253.5	1435.1	1334.4	285.9	1620.3	1496.5	320.7	1817.2
Chotanagpur Plateau	865.2	185.6	1050.8	937.4	200.9	1138.3	1070.7	229.4	1300.1	1182.9	253.5	1436.4

TABLE II

An Estimate of Standard Requirement of Cereals/Pulses/Foodgrains in the Farm Economy of Bihar (1911—66)—(*Continued*)

(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1949—51)			Perod (1952—54)			Period (1955—57)			Period (1958—60)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodrgains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	14	15	16	17	18	19	20	21	22	23	24	25
Patna	291.9	62.6	354.5	305.7	65.5	371.2	320.2	68.6	388.8	335.1	71.8	406.9
Gaya	355.6	76.2	431.8	373.2	80.0	453.2	392.9	84.2	477.1	413.7	88.7	502.4
Shahabad	312.2	66.9	379.1	327.4	70.2	397.6	345.5	74.0	419.5	364.6	78.1	442.7
Saran	365.1	78.2	443.3	378.7	81.1	459.8	393.5	84.3	477.8	409.0	87.6	496.6
Champaran	292.1	62.6	354.7	306.1	65.6	371.7	322.9	69.2	392.1	340.7	73.0	413.7
Muzaffarpur	408.1	87.5	495.6	426.1	91.3	517.4	446.5	95.7	542.2	468.1	100.3	568.4
Darbhanga	436.8	93.6	530.4	456.2	97.8	554.0	478.3	102.5	580.8	501.5	107.5	609.0
Monghyr	329.9	70.7	400.6	346.2	74.2	420.4	364.6	78.1	442.7	384.2	82.3	466.5
Bhagalpur	316.2	67.8	384.0	174.0	37.3	211.3	183.7	39.4	223.1	193.8	41.5	235.3
Saharsa	—	—	—	164.3	35.2	199.5	177.6	38.1	215.7	193.0	41.3	234.3
Purnea	293.4	62.9	356.3	309.3	66.3	375.6	328.6	70.4	399.0	357.8	76.7	434.5
Santal Parganas	269.7	57.8	327.5	279.7	59.9	339.6	287.1	61.5	348.6	304.7	65.3	370.0
Hazaribagh	224.5	48.1	272.6	237.3	50.8	288.1	252.1	54.0	306.1	267.7	57.4	325.1
Ranchi	215.3	46.1	261.4	224 1	48.0	272.1	233.7	50.1	283.8	243.5	52.2	295.7
Palamau	114.3	24.5	138.8	120.1	25.7	145.8	126.9	27.2	154.1	134.0	28.7	162.7
Manbhum	263.1	56.4	319.5	272.6	58.4	331.0	—	—	—	—	—	—
Dhanbad	—	—	—	—	—	—	110.2	23.6	133.8	126.6	27.1	153.7
Singhbhum	170.8	36.6	207.4	187.6	40.2	223.8	206.7	44.3	251.0	228.0	48.9	276.9
Bihar State	4659.0	9985.5	5657.5	4888.6	1047.4	5936.0	4971.0	1065.2	6036.2	5226.0	1128.4	6394.4
North Bihar Plains	1795.5	384.8	2180.3	2040.7	437.2	2477.9	2147.4	460.2	2607.5	2270.1	486.4	2756.5
South Bihar Plains	1605.8	344.2	1950.0	1526.5	327.2	1853.7	1606.9	344.3	1951.2	1691.4	362.4	2053.8
Chotanagpur Plateau	1257.7	269.5	1527.2	1321.4	283.0	1604.4	1216.7	267.0	1477.4	1304.5	279.6	1584.1

(*Continued*)

TABLE II

An Estimate of Standard Requiremen t of Cereals/Pulses/Foodgrains in the Farm Economy of Bihar (1911—66)—(*Continued*)

(Periodwise Average Annual Data in Thousand Tonnes)

Unit	Period (1961—63)			Period (1964—66)			Period (1918—19)			Period (1966—67)		
	Cereals	Pulses	F oodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	26	27	28	29	30	31	32	33	34	35	36	37
Patna	351.3	75.3	426.6	368.1	78.9	447.0	183.4	39.3	222.7	377.2	80.8	448.0
Gaya	453.9	93.4	529.3	459.2	98.4	557.6	249.7	53.5	303.2	467.3	100.1	567.4
Shahabad	385.1	82.5	467.6	406.6	87.1	493.7	211.8	45.4	257.2	414.0	88.7	502.7
Saran	424.6	91.0	515.6	441.6	94.6	536.2	269.9	57.8	327.7	447.3	95.9	543.2
Champaran	359.6	77.0	436.6	380.7	81.6	462.3	224.1	48.0	272.1	386.5	82.8	469.3
Muzaffarpur	490.7	105.1	595.8	514.6	110.3	624.9	321.6	68.9	390.5	522.7	112.0	634.7
Darbhanga	525.9	112.7	638.6	551.5	118.2	669.7	338.1	72.5	410.6	560.3	120.1	680.4
Monghyr	404.8	86.7	491.5	426.5	91.4	517.9	237.9	51.0	288.9	434.0	93.0	527.0
Bhagalpur	209.0	44.8	253.8	216.3	46.3	262.6	238.4	51.1	289.5	220.2	47.2	267.4
Saharsa	209.9	45.0	254.9	228.5	49.0	277.5	—	—	—	235.1	50.4	285.5
Purnea	371.0	79.5	450.5	394.5	84.5	479.0	233.7	50.1	283.8	402.6	86.3	488.9
Santal Parganas	317.8	68.1	385.9	331.7	71.1	402.8	210.6	45.1	255.7	336.5	72.1	408.6
Hazaribagh	284.5	61.0	345.5	302.6	64.8	367.4	148.3	31.8	180.1	308.6	66.2	374.8
Ranchi	253.9	54.4	308.3	265.0	56.8	321.8	156.0	33.4	189.4	268.6	57.6	326.2
Palamau	141.5	30.3	171.8	149.6	32.1	181.7	83.7	17.9	101.6	152.4	32.7	185.1
Manbhum	—	—	—	—	—	—	179.5	38.5	218.0	—	—	—
Dhanbad	146.2	31.3	177.5	154.9	34.2	189.1	—	—	—	178.5	38.2	216.7
Singhbhum	251.9	54.0	305.9	278.7	59.7	338.4	86 2	18.5	104.6	288.4	61.8	350.2
Bihar State	5563.6	1192.1	6755.7	5850.6	1253.7	7104.3	3372.6	7 22.8	4095.7	6000.2	1285.9	7 286.1
North Bihar Plains	2381.7	510.3	2892.0	2511.4	538.2	3049.6	1387.4	297.3	1684.7	2554.5	547.5	3102.0
South Bihar Plains	1786.1	382.7	2168.8	1876.7	402.1	2278.8	1121.2	240.3	1361.5	1912.7	409.8	2322.5
Chotanagpur Plateau	1395.8	299.1	1694.9	1462.5	313.4	1775.9	864.3	18 5.2	1049.5	1533.0	328.6	1861.6

TABLE III

An Estimate of Net Output of Cereals/Pulses/Foodgrains in the Farm Economy of Bihar (1911-66)

(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1911—20)			Period (1921—30)			Period (1931—40)			Period (1941—48)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	2	3	4	5	6	7	8	9	10	11	12	13
Patna	226.8	—	—	156.3	—	—	149.8	—	—	119.4	—	—
Gaya	517.7	—	—	367.7	—	—	291.0	—	—	249.2	—	—
Shahabad	390.8	—	—	304 8	—	—	232.0	—	—	198.4	—	—
Saran	290.0	—	—	263.1	—	—	236.9	—	—	247.4	—	—
Champaran	490.4	—	—	452.2	—	—	324.7	—	—	322.1	—	—
Muzaffarpur	506.1	—	—	567.3	—	—	417.4	—	—	347.2	—	—
Darbhanga	453.2	—	—	424.2	—	—	265.7	—	—	226.7	—	—
Monghyr	338.5	—	—	301.2	—	—	226.5	—	—	265.5	—	—
Bhagalpur	504.9	—	—	322.2	—	—	261.4	—	—	192.2	—	—
Saharsa	—	—	—	—	—	—	—	—	—	—	—	—
Purnea	503.2	—	—	324.8	—	—	203.1	—	—	171.0	—	—
Santal Parganas	420.9	—	—	431.8	—	—	314.2	—	—	351.1	—	—
Hazaribagh	187.3	—	—	186.1	—	—	168.1	—	—	145.3	—	—
Ranchi	383.0	—	—	300.2	—	—	347.1	—	—	373.2	—	—
Palamau	121.6	—	—	71.0	—	—	62.8	—	—	57.9	—	—
Manbhum	474.7	—	—	318.7	—	—	101.5	—	—	117.6	—	
Danbhad	—	—	—	—	—	—	—	—	—	—	—	—
Singhbhum	170.8	—	—	184.7	—	—	117.1	—	—	97.0	—	—
Bihar State	5979.9	—	—	4976.3	—	—	3769.3	—	—	3481.0	—	—
North Bihar Plains	2242.9	—	—	2031.6	—	—	1457.8	—	—	1314.5	—	—
South Bihar Plains	1978.7	—	—	1452.2	—	—	1200.7	—	—	1024.5	—	—
Chotanagpur Prateau	1758.3	—	—	1492.5	—	—	1110.8	—	—	1142.1	—	—

(*Continued*)

TABLE III

An Estimate of Net Output of Cereals/Pulses/Foodgrains in the Farm Economy of Bihar (1911-66)—(*Continued*)

(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1949—51)			Period (1952—54)			Period (1955-57)			Period (1958—60)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodrgains
1	14	15	16	17	18	19	20	21	22	23	24	25
Patna	166.6	61.2	227.8	196.9	97.6	294.5	202.7	95.1	297.8	291.2	142.2	433.4
Gaya	211.6	81.0	292.6	283.2	76.8	360.0	309.5	72.6	382.1	408.5	107.8	516.3
Shahabad	278.9	74.1	353.0	365.1	103.3	468.4	365.9	117.7	483.6	519.4	182.0	701.4
Saran	204.2	31.9	236.1	189.1	28.0	217.1	211.4	25.1	236.5	293.4	38.1	331.5
Champaran	239.6	23.6	263.2	292.2	28.9	321.1	238.0	21.4	259.4	333.6	30.9	364.5
Muzaffarpur	265.3	24.2	289.5	261.2	36.8	298.0	246.4	48.5	294.9	294.7	38.0	332.7
Darbhanga	223.7	20.0	243.7	219.5	21.4	240.9	209.0	23.7	232.7	367.6	41.4	409.0
Monghyr	147.6	58.7	206.3	196.5	80.3	276.8	176.3	43.6	219.9	307.4	82.0	389.4
Bhagalpur	183.6	21.3	204.9	127.5	23.8	151.3	119.4	19.4	138.8	239.0	39.6	278.6
Saharsa	—	—	—	121.9	18.6	140.5	82.8	9.7	92.5	135.5	16.8	152.3
Purnea	261.2	24.2	285.4	268.7	30.3	299.0	221.3	22.3	243.6	309.6	35.9	345.5
Santal Parganas	315.6	29.5	345.1	386.9	32.6	419.5	377.4	26.6	404.0	504.7	58.7	563.4
Hazaribagh	204.6	15.8	220.4	256.9	16.6	273.5	204.5	14.5	219.0	288.8	17.8	306.6
Ranchi	288.5	48.1	336.6	281.9	51.4	333.3	279.9	43.9	314.9	341.7	29.4	371.1
Palamau	66.8	13.8	80.6	63.3	13.8	77.1	70.2	14.4	84.6	124.1	34.1	158.2
Manbhum	250.5	7.6	258.1	337.7	7.6	345.3	—	—	—	—	—	—
Dhanbad	—	—	—	—	—	—	84.9	4.6	89.5	97.2	2.0	99.2
Singhbhum	187.0	8.0	195.0	190.9	8.8	199.7	236.4	10.0	246.4	300.4	7.8	308.2
Bihar State	3495.2	543.0	4038.2	3039.4	676.6	4716.0	3626.8	613.1	4239.9	5156.8	904.5	6061.5
North Bihar Plains	1194.9	123.9	1317.9	1352.6	164.0	1516.6	1208.8	150.7	1359.5	1734.4	201.1	1935.5
South Bihar Plains	988.3	296.3	1284.6	1169.2	381.8	1551.0	1173.7	348.4	1522.1	1765.5	553.6	2319.1
Chotanagpur Plateau	1312.9	112.8	1435.7	1517.6	130.8	1648.4	1244.3	114.0	1358.3	1656.9	149.8	1806.7

(*Continued*)

TABLE III

An Estimate of Net Output of Cereals/Pulses/Foodgrains in the Farm Economy of Bihar (1911—66)—(*Continued*)

(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1961—63)			Period (1964—66)			Period (1918—19)			Period (1966—67)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	26	27	28	29	30	31	32	33	34	35	36	37
Patna	313.9	157.0	470.9	231.0	123.4	354.4	143.0	—	—	67.3	37.9	105.2
Gaya	470.9	142.7	613.6	378.0	104.0	482.4	218.0	—	—	103.9	19.0	122.9
Shahabad	544.0	231.2	775.2	474 3	176.0	650.3	210.8	—	—	293.0	88.3	381.3
Saran	353.1	39.3	392.4	306.1	41.4	347.5	242.9	—	—	255.6	36.7	292.3
Champaran	382.3	33.4	415.7	333.3	30.2	363.5	52[illegible].8	—	—	222.0	28.3	250.3
Muzaffarpur	318.9	58.6	377.5	261.5	54.6	316.1	554.2	—	—	167.3	44.9	212.2
Darbhanga	410.1	44.7	454.8	307.1	39.1	346.2	360.0	—	—	193.5	29.6	223.1
Monghyr	344.0	80.2	424.2	289.3	80.8	370.1	206.3	—	—	227.1	27.6	254.7
Bhagalpur	214.3	36.3	250.6	162.9	42.8	205.7	262.0	—	—	95.1	17.3	112.4
Saharsa	138.3	18.1	156.4	115.9	23.9	139.8	—	—	—	84.9	27.5	112.4
Purnea	361.4	32.1	393.5	254.3	36.8	291.1	445.6	—	—	108.1	37.4	145.5
Santal Parganas	466.4	43.7	510.1	421.0	33.9	454.9	302.2	—	—	282.0	18.7	300.7
Hazaribagh	68.1	13.8	381.9	197.7	10.0	207.7	111.7	—	—	76.7	3.2	79.9
Ranch	311 2	32.0	343.2	282.2	24.4	306.6	213.3	—	—	172.9	22.3	195.2
Palamau	124.7	39.7	164.4	103.1	25.6	128.7	60.8	—	—	46.6	2.9	49.5
Manbhum	—	—	—	—	—	—	178.7	—	—	—	—	—
Dhanbad	86.6	1.8	88.4	63.5	1.8	65.3	—	—	—	18.8	1.3	20.1
Singhbhum	314.1	10.5	324.6	233.1	9.3	242.4	91.8	—	—	136.6	9.6	146.2
Bihar State	5422.4	1015.1	6437.4	4414.3	858.4	5272.7	2128.1	—	—	2551.4	452.5	3003.9
North Bihar Plains	1964.1	226.2	2190.3	1578.2	226.0	1804.2	2129.5	—	—	1031.4	240.4	1235.8
South Bihar Plains	1887.1	647.4	2534.5	1535.5	527.4	2062.9	1040.1	—	—	786.4	190.1	976.5
Chotanagpur Plateau	1571.1	141.5	1712.6	1300.6	105.0	1405.6	958.5	—	—	733.6	58.0	791.6

TABLE IV

An Estimate of Surplus (+) or Deficit (—) of Cereals/Pulses/Foodgrains of the Farm Economy of Bihar (1911—66)
(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1911—20)			Period (1921—30)			Period (1931—40)			Period (1941—48)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	2	3	4	5	6	7	8	9	10	11	12	13
Patna	+42.4	—	—	—42.3	—	—	—82.9	—	—	—148.6	—	—
Gaya	+267.8	—	—	+104.0	—	—	—8.7	—	—	—86.6	—	—
Shahabad	+177.6	—	—	+83.6	—	—	—18.9	—	—	—88.6	—	—
Saran	+21.6	—	—	—16.9	—	—	—73.5	—	—	—95.4	—	—
Champaran	+267.3	—	—	+215.1	—	—	+71.0	—	—	+38.5	—	—
Muzaffarpur	+181.9	—	—	+236.9	—	—	+58.4	—	—	—42.2	—	—
Darbhanga	+114.6	—	—	+71.3	—	—	—118.6	—	—	—189.1	—	—
Munghyr	+97.6	—	—	+50.6	—	—	—15.1	—	—	—45.6	—	—
Bhagalpur	+263.4	—	—	+74.5	—	—	—8.1	—	—	—102.6	—	—
Saharsa	—	—	—	—	—	—	—	—	—	—	—	—
Purnea	+270.5	—	—	+80.4	—	—	—62.4	—	—	—112 5	—	—
Santal Parganas	+207.8	—	—	+208.3	—	—	+65.5	—	—	+87.9	—	—
Hazaribagh	+39.0	—	—	+23.9	—	—	—21.7	—	—	—66.6	—	—
Ranchi	+225.4	—	—	+131.7	—	—	+158.9	—	—	+170.1	—	—
Palamau	+39.2	—	—	—19.1	—	—	—37.7	—	—	—51.3	—	—
Manbhum	+295.2	—	—	+123.7	—	—	—121.5	—	—	—129.7	—	—
Dhanbad	—	—	—	—	—	—	—	—	—	—	—	—
Singhbhum	+86.5	—	—	+86.6	—	—	—3.3	—	—	—51.2	—	—
Bihar State	+2597.8	—	—	+1412.3	—	—	—218.7	—	—	—913.5	—	—
North Biha- Pl.. ns	+855.9	—	—	+586.8	—	—	—125.1	—	—	—400.	—	—
South Bihar Plains	+848.8	—	—	+270.4	—	—	—133.7	—	—	—472.0	—	—
Chotanagpur Flateau	+893.1	—	—	+555.1	—	—	+40.1	—	—	—40.8	—	—

TABLE IV

An Estimate of Surplus (+) or Defic t (—) of Cereals/Pulses/Foodgrains of the Farm Economy of Bihar (1911—66)—(*Continued*)
(Period-wise Average Annual Data in Thousand Tonnes)

Unit	Period (1949—51)			Period (1952—54)			Period (1955—57)			Period (1958—60)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrain
1	14	15	16	17	18	19	20	21	22	23	24	25
Patna	—125.3	—1.4	—126.7	—108.8	+32.1	—76.7	—117.6	+26.5	—91.0	—43.9	+70.4	+26.5
Gaya	—144.0	+4.8	—139.2	—90.0	—3.2	—93.2	—83.4	—11.6	—95.0	—5.2	+19.1	+13.9
Shahabad	—33.3	+7.2	—26.1	+37.7	+33.1	+70.8	+20.4	+43.7	+64.1	+154.8	+103.9	+258.7
Saran	—160.9	—46.3	—207.2	—189.6	—53.1	—242.7	—182.1	—59.2	—241.3	—115.6	—49.5	—165.1
Champaran	—52.5	—39.0	—91.5	—13.9	—36.7	—50.6	—84.9	+47.8	—132.7	—7.1	—42.1	—49.2
Muzaffarpur	—142.8	—63.3	—206.1	—164.9	—54.5	—219.4	—200.1	—47.2	—247.3	—173.4	—62.3	—235.7
Darbhanga	—213.1	—73.6	—286.7	—236.7	—76.4	—313.1	—269.3	—78.8	—348.1	—133.9	—66.1	—200.0
Monghyr	—182.3	—12.0	—194.3	—149.7	+6.1	—143.6	—188.3	—34.5	—222.8	—76.6	—0.3	—77.1
Bhagalpur	—132.6	—46.5	—179.1	—46.5	—13.5	—60.0	—64.3	—20.0	—84.5	+45.2	—1.9	+43.3
Saharsa	—	—	—	—42.4	—16.6	—59.0	—94.8	—28.4	—123.2	—57.5	—24.5	—82.0
Purnea	—32.2	—38.7	—70.9	—40.6	—36.0	—76.6	—107.3	—48.1	—155.4	—48.2	—40.8	—89.0
Santal Parganas	+45.8	—28.3	—17.5	+107.2	—27.3	+79.9	+90.3	—34.9	+55.4	+200.0	—6.6	+193.4
Hazaribagh	—19.9	—32.3	—42.2	+19.6	—34.2	—14.6	—47.6	—39.5	—87.1	—21.1	—39.6	—18.5
Ranchi	+73.2	+2.0	+75.2	+57.8	+3.4	+61.2	+37.2	—6.2	+31.0	+98.2	—22.8	+75.4
Palamau	—47.5	—10.7	—58.2	—56.8	—11.9	—68.7	—56.7	—12.8	—69.5	—9.9	+5.4	—4.5
Manbhum	—12.6	—48.8	—61.4	+65.1	—50.8	+14.3	—	—	—	—	—	—
Dhanbad	—	—	—	—	—	—	—25.3	—19.0	—44.3	—29.4	—25.1	—54.5
Singhbhum	+16.2	—28.6	—12.4	+3.3	—31.4	—28.1	+29.7	—34.3	—4.6	+72.4	—41.1	+31.3
Bihar State	—1163.8	—455.6	—1619.3	—849.2	—370.9	—1220.1	—1344.0	—452.1	—1795.1	—109.2	—223.9	—333.1
North Bihar Plains	—601.5	—269.0	—862.4	—688.1	—273.3	—961.4	—938.5	—309.5	—1248.0	—535.7	—285.3	—821.0
South Bihar Plains	—617.5	—47.9	—665.4	—357.3	+54.6	—302.7	—433.1	+4.1	—429.0	—74.1	+191.2	+265.3
Chotanagpur Plateau	+55.2	—146.7	—91.5	+196.2	—152.2	+44.0	+27.6	—146.7	—119.1	+352.4	—129.8	+222.6

(*Continued*)

TABLE IV

An Estimate of Surplus (+) or Deficit (—) of Cereals/Pulses/Foodgrains of the Farm Economy of Bihar (1911—66)—(*Continued*)
(Period-wise Average Annual Data in Thousand Tonnes)

	Period (1961—63)			Period (1964—66)			Period (1918—19)			Period (1966-67)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	26	27	28	29	30	31	32	33	34	35	36	37
Patna	—37.4	+81.7	+44.3	—137.1	+44.5	—92.6	—40.4	—	—	—309.9	—42.9	—352.8
Gaya	+35.0	+49.3	+84.3	—81.2	+6.0	—75.2	—31.7	—	—	—363.4	—81.1	—444.5
Shahabad	+158.9	+148.7	+307.6	+67.7	+88.9	+156.6	—1.0	—	—	—121.0	—0.5	—121.4
Saran	—71.5	—51.7	—123.2	—135.5	—53.2	—188.7	—26.0	—	—	—191.7	—59.2	—250.9
Champaran	+22.7	—43.6	—20.9	—47.4	—51.4	—98.8	+301.7	—	—	—164.5	—54.5	—219.0
Muzaffarpur	—171.8	—64.5	—218.5	—253.1	—55.7	—308.8	+232.6	—	—	—355.4	—67.1	—422.5
Darbhanga	—115.8	—68.0	—183.8	—244.4	—79.1	—323.5	+21.9	—	—	—366.8	—90.5	—457.3
Monghyr	—60.8	—6.5	—67.3	—137.2	—10.6	—147.8	—31.6	—	—	—206.9	—65.4	—272.3
Bhagalpur	+5.3	—8.5	—3.2	—53.4	—3.5	—56.9	+23.6	—	—	—125.1	—29.9	—155.0
Saharsa	—71.6	—26.9	—98.5	—112.6	—25.1	—137.7	—	—	—	—150.2	—22.9	—173.1
Purnea	—9.6	—47.4	—57.0	—140.2	—47.7	—187.9	+211.9	—	—	—294.5	—48.9	—343.4
Santal Parganas	+148.6	—24.4	+124.2	+89.3	—37.2	+52.1	+91.8	—	—	—54.5	—53.4	—107.9
Hazaribagh	—16.4	—47.2	—63.6	—104.9	—54.8	—159.7	—36.6	—	—	—231.9	—63.0	—294.9
Ranchi	+57.3	—22.4	+34.9	+17.2	—32.4	—15.2	+57.3	—	—	—95.7	—35.3	—131.0
Palamau	—16.8	+9.4	—7.4	—46.5	—6.5	—53.0	—22.9	—	—	—105.8	—29.8	—135.6
Manbhum	—	—	—	—	—	—	—0.8	—	—	—	—	—
Dhanbad	—59.6	—29.5	—89.1	—71.4	—27.1	—98.5	—	—	—	—159.7	—36.9	—196.6
Singhbhum	+62.2	—43.5	+18.7	—45.6	—50.4	—96.0	+5.6	—	—	—151.8	—52.2	—204.0
Bihar State	—141.3	—177.0	—318.3	—1436.3	—395.3	—1831.6	+755.2	—	—	—3448.8	—833.4	—4282.2
North Bihar Plains	—417.6	—284.1	—701.7	—933.2	—312.2	—1245.4	+742.1	—	—	—1523.1	—343.1	—1866.2
South Bihar Plains	+101.0	+264.7	+365.7	—341.2	+125.3	—215.9	—71.1	*	—	—1126.3	—219.7	—1346.0
Chotanagpur Plateau	+175.3	—157.6	+17.7	—161.9	—208.4	—370.3	+94.2	—	—	—799.4	—270.6	—1070.0

TABLE V

An Estimate of Per Day Per Adult Consumption Unit Net Output of Cereals/Pulses/Foodgrains of the Farm Economy of Bihar (1911—66)
(Period-wise Average Net Output Data in Ozs.)

Unit	Period (1911—20)			Period (1921—30)			Period (1931—40)			Period (1941—48)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	2	3	4	5	6	7	8	9	10	11	12	13
Patna	17.22	—	—	11.02	—	—	9.01	—	—	6.24	—	—
Gaya	29.00	—	—	19.52	—	—	13.59	—	—	10.39	—	—
Shahabad	25.66	—	—	19.29	—	—	12.95	—	—	9.68	—	—
Saran	15.13	—	—	13.15	—	—	10.68	—	—	10.10	—	—
Champaran	30.77	—	—	26.70	—	—	17.77	—	—	15.90	—	—
Muzaffarpur	21.86	—	—	24.04	—	—	15.12	—	—	12.48	—	—
Darbhanga	18.74	—	—	16.83	—	—	9.68	—	—	7.63	—	—
Monghyr	19.67	—	—	16.83	—	—	13.25	—	—	11.95	—	—
Bhagalpur	29.27	—	—	18.21	—	—	13.58	—	—	9.13	—	—
Saharsa	—	—	—	—	—	—	—	—	—	—	—	—
Purnea	28.11	—	—	18.61	—	—	10.71	—	—	8.44	—	—
Santal Paragans	27.65	—	—	27.04	—	—	17.69	—	—	18.68	—	—
Hazaribagh	17.68	—	—	16.06	—	—	12.40	—	—	9.60	—	—
Ranchi	34.02	—	—	24.94	—	—	25.82	—	—	25.73	—	—
Palamau	20.66	—	—	11.03	—	—	8.75	—	—	7.42	—	—
Manbhum	37.02	—	—	22.88	—	—	6.37	—	—	6.66	—	—
Dhanbad	—	—	—	—	—	—	—	—	—	—	—	—
Singhbhum	28.37	—	—	26.36	—	—	13.62	—	—	9.16	—	—
Bihar State	24.75	—	—	19.55	—	—	13.23	—	—	11.09	—	—
North Bihar Plains	22.64	—	—	19.69	—	—	12.89	—	—	10.73	—	—
South Bihar Plains	24.52	—	—	17.20	—	—	12.60	—	—	9.58	—	—
Chotanagpur Plateau	28.45	—	—	22.29	—	—	14.63	—	—	13.52	—	—

(*Continued*)

TABLE V

An Estimate of Per Day Per Adult Consumption Unit Net Output of Cereals/Pulses/Foodgrains of the Farm Economy of Bihar (1911—66)—(*Continued*)
(Period-wise Average Net Output Data in Ozs.)

Unit	Period (1949—51)			Period (1952—54)			Period (1955—57)			Period (1958—60)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	14	15	16	17	18	19	20	21	22	23	24	25
Patna	7.99	2.94	10.93	9.02	4.48	13.50	8.86	4.16	13.03	12.17	5.94	18.11
Gaya	8.33	3.18	11.51	10.62	2.88	13.50	11.03	2.58	13.61	13.82	3.65	17.47
Shahabad	12.50	3.32	15.82	15.61	4.42	20.03	14.83	4.77	19.60	19.94	6.99	26.93
Saran	7.83	1.23	9.06	6.99	1.04	8.03	7.52	0.90	8.42	10.04	1.31	11.35
Champaran	11.49	1.14	12.63	13.36	1.33	14.69	10.32	0.93	11.25	13.71	1.27	14.98
Muzaffarpur	9.10	0.84	9.94	8.58	1.21	9.79	7.73	1.52	9.25	8.81	1.14	9.95
Darbhanga	7.17	0.64	7.81	6.74	0.66	7.40	6.11	0.70	6.81	10.26	1.16	11.42
Monghyr	6.26	2.19	8.75	7.95	3.24	11.19	6.77	1.68	8.45	11.20	2.99	14.19
Bhagalpur	8.13	0.95	9.08	10.26	1.91	12.17	9.09	1.48	10.57	17.27	2.86	20.13
Saharsa	—	—	—	10.38	1.59	11.97	6.52	0.76	7.28	9.83	1.22	11.05
Purnea	12.46	1.16	13.62	12.17	1.38	13.55	9.42	0.95	10.37	12.12	1.41	13.53
Santal Parganas	16.37	1.54	17.91	19.36	1.64	21.0	18.73	1.30	20.03	23.18	2.70	25.88
Hazaribagh	12.75	0.99	13.74	15.16	0.98	16.14	11.36	0.81	12.17	15.11	0.94	16.05
Ranchi	18.76	3.13	21.89	17.61	3.21	20.82	16.23	2.62	18.85	19.64	1.70	21.34
Palamau	8.18	1.69	9.87	8.55	1.61	10.16	7.75	1.59	9.34	12.97	3.56	16.53
Manbhum	13.33	0.41	13.74	17.35	0.33	17.68	—	—	—	—	—	—
Dhanbad	—	—	—	—	—	—	10.78	0.58	11.36	10.75	0.22	10.97
Singhbhum	15.33	0.62	15.95	14.24	0.66	14.90	16.01	0.68	16.69	18.45	0.48	18.93
Bihar State	10.51	1.64	12.15	11.29	1.93	13.22	10.21	1.73	11.94	13.71	2.40	16.11
North Bihar Plains	9.31	0.97	10.28	9.28	1.13	10.41	7.88	0.99	8.87	10.70	1.24	11.94
South Bihar Plains	8.63	2.53	11.16	10.72	3.50	14.22	10.23	3.03	13.26	14.62	4.59	19.21
Chotanagpur Plateau	14.61	0.77	15.38	16.15	1.39	17.54	14.32	1.31	15.63	17.78	1.61	19.39

TABLE V

An Estimate of Per Day Per Adult Consumption Unit Net Output of Cereals/Pulses/Foodgrains of the Farm Economy of Bihar (1911—66)—(*Continued*)
(Period-wise Average Net Output Data in Ozs.)

Unit	Period (1961—63)			Period (1964—66)			Period (1918—19)			Period (1966—67)		
	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains	Cereals	Pulses	Foodgrains
1	26	27	28	29	30	31	32	33	34	35	36	37
Patna	12.51	6.26	18.77	8.79	4.69	13.48	10.92	—	—	2.50	1.41	3.91
Gaya	15.12	4.58	19.70	11.52	3.18	14.70	12.22	—	—	3.11	0.67	3.68
Shahabad	19.78	8.41	28.19	16.33	6.06	22.39	13.93	—	—	9.91	2.99	12.90
Sa ran	11.64	1.30	12.94	9.70	1.31	11.01	12.65	—	—	8.00	1.15	9.15
Champaran	14.88	1.30	16.18	12.26	1.11	13.37	32.85	—	—	8.04	1.03	9.07
Muzaffarpur	9.10	1.67	10.77	7.11	1.49	8.60	24.13	—	—	4.48	1.20	5.68
Darbhanga	10.92	1.19	12.11	7.80	0.99	8.79	14.91	—	—	4.84	0.74	5.58
Monghyr	11.90	2.78	14.68	9.50	2.65	12.15	12.14	—	—	7.33	0.89	8.22
Bhagalpur	14.36	2.43	16.79	10.50	2.77	13.27	15.39	—	—	6.05	1.10	7.15
Saharsa	9.22	1.21	10.43	7.10	1.46	8.56	—	—	—	5.06	1.64	6.70
Purnea	13.64	1.21	14.85	9.02	1.31	10.33	26.69	—	—	3.76	1.30	5.06
Santal Parganas	20.55	1.93	22.48	17.77	1.43	19.20	20.09	—	—	11.73	0.78	12.51
Hazaribagh	13.19	0.68	13.87	9.15	0.46	9.61	10.54	—	—	3.48	0.14	3.62
R anchi	17.16	1.76	18.92	14.91	1.29	16.20	19.14	—	—	9.01	1.16	10.17
alamau	12.34	3.95	16.27	9.65	2.39	12.04	10.17	—	—	4.28	0.27	4.55
Manbhum	—	—	—	—	—	—	13.94	—	—	—	—	—
Dhanbad	8.29	0.17	8.46	6.59	0.19	6.78	—	—	—	1.47	0.10	1.57
Singhbhum	17.46	0.58	18.04	11.71	0.47	12.18	14.91	—	—	6.63	0.47	7.10
Bihar State	13.64	2.55	16.19	10.56	2.05	12.61	17.13	—	—	5.95	1.06	7.01
North Bihar Plains	11.55	1.33	12.88	8.80	1.26	10.06	21.49	—	—	5.65	1.12	6.77
PSouth Bihar Plains	14.29	5.08	19.37	11.45	3.93	15.38	12.99	—	—	5.76	1.39	7.15
Chotanagpur Plateau	15.76	1.42	17.18	12.45	1.01	13.46	15.53	—	—	6.70	0.53	7.23

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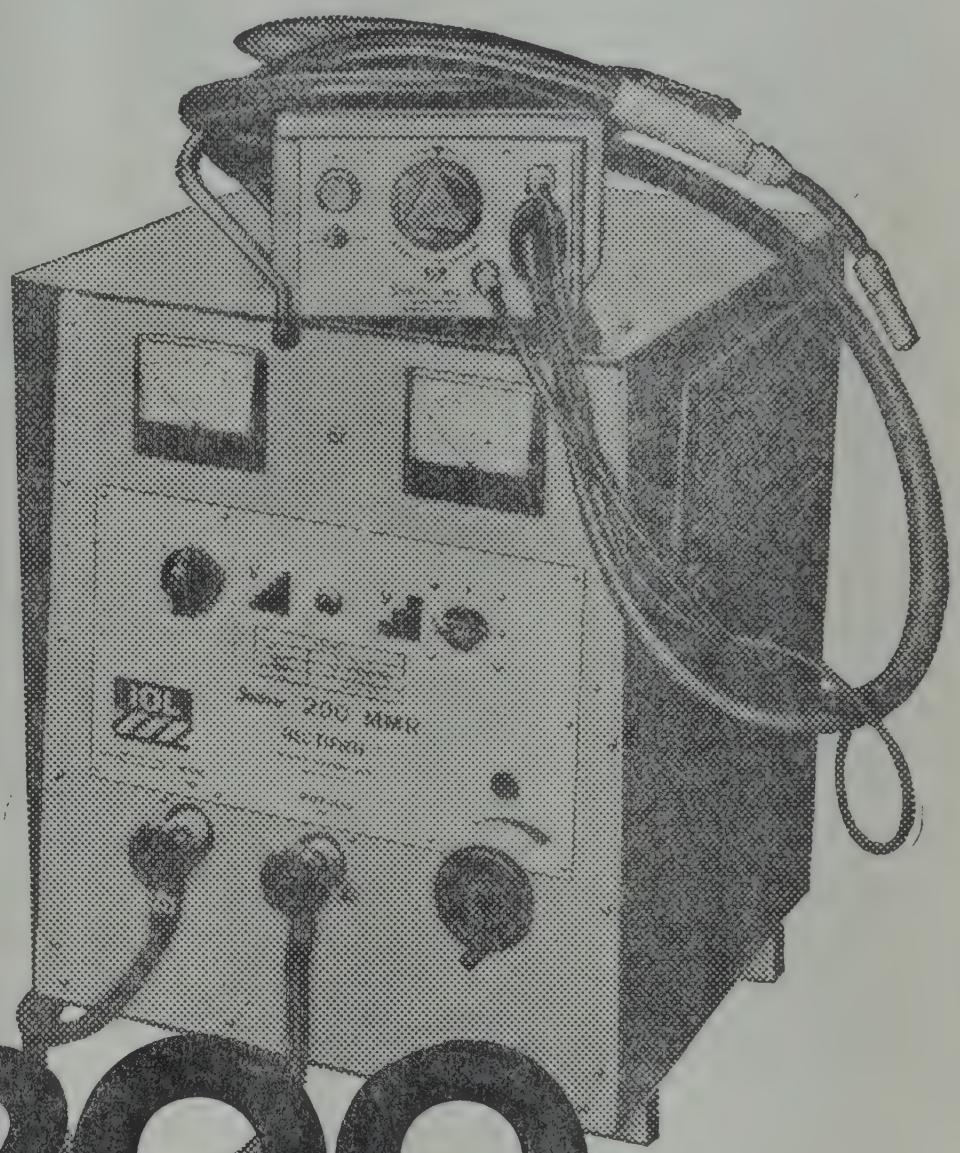
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I

Lebanon

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The economy has recovered from the depression experienced in the second half of the 1960s. Gross National Product is estimated to have increased by some 10 per cent in 1971 to reach L£5,155 million and, despite adverse political developments including a confrontation between the Palestinian guerrillas and the government, expansion is thought to have continued unabated during 1972. A target rate of growth of 7 per cent per annum is set in the 1972-77 development plan, with total expenditure amounting to L£7,200 million, of which L£1,740 million is to come from the government. An annual increase of 4-5 per cent is planned in the output of agriculture, in industry of 9-10 per cent, in construction of 6 per cent and in transport and services of 6-7 per cent.

WINDOW ON THE WORLD

Some two-thirds of national income is formed by trade and services, foremost amongst which are those raising from Beirut's role as the financial capital of the Middle East. Confidence in the banking sector has been restored which, combined with increased Arab oil revenues, has led to a rapid growth of deposits rising from L£4,071 million in 1970 to an estimated L£6,000 million by the end of 1972. Investment opportunities have not, however, increased as rapidly, the ratio of loans to deposits falling from 63 per cent in 1970 to 59 per cent in 1971, and a considerable surplus of liquidity has resulted. Consequently, new outlets for funds are being sought. One possibility lies in an increase in international banking activity: already two loans have been made by bank consortia, one of L£15 million to India and the other of L£75 million to the World Bank. The provision of scarce medium- and long-term credits to agriculture, industry and tourism provides another possibility to decrease liquidity and assist economic development. At present banks extend only short-term credits but proposed amendments to the monetary and credit law should help by increasing the security of long-term loans. In order to help to meet the need for long-term finance a National Bank for Industrial and Touristic Development, 51 per cent government owned, is being established.

The second most important sector is manufacturing industry, mainly food-processing, textiles and wood manufactures, which forms about 13 per cent of GNP and employs almost a sixth of the available labour force. Although at present most plants are small-scale, there is a growing tendency towards the operation of larger enterprises, enabling more advantage to be taken of economies of scale. Between 1964 and 1971 it is estimated that industrial output rose from L£1,059 million to L£2,000 million, export increasing almost sixfold over the same period to L£263 million. Recently, although sensibly if unexpectedly limited by leanings towards free enterprise, government efforts to assist industrial development have intensified. They have included incentives for both domestic and foreign investment, the creation of a separate ministry of Industry and Petroleum and a planned rationalisation of the tariff structure. Amongst projects currently planned are the construction of a L£100 million oil refinery financed by Saudi Arabia, a glass-fibre factory, a second sugar refinery costing L£40 million and a L£36 million cement works.

Although the value of agricultural output is less than that of industry, agriculture supports about 20 per cent of the active population. The fast growth in the 1960s of agricultural exports, principally fruit and vegetables, has not been maintained in recent years, because foodstuffs form a large proportion of imports. However, the current development plan, which concentrates on the expansion of the area under cultivation, envisages an increase in agricultural exports of 5 to 6 per cent per annum.

Lebanon : Total Trade

(in US $ million)

	Exports	Imports	Balance
1969	161	527	—366
1970	184	558	—374
1971	243	673	—430
1972	—	—	—

Invisible earnings have transformed the traditional deficit in the balance of visible trade into a surplus in the balance of payments. Income from tourism alone, despite adverse political events, is estimated to bave reached L£570 million in 1972, a fall of only L£ 10 million compared to 1971, and at the end of December last, total reserves stood at $675 million, an increase of $128 million compared with a year earlier. However, the closure of the the Syrian border with Jordan, now reopened, seriously affected transit trade. The royalties earned by the two oil pipelines crossing Lebanon are another important source of income. The flow of oil through the pipeline from the Kirkuk fields in Syria ceased in June last following a dispute between Iraq and the Iraq Petroleum Company; however, an agreement with Iraq was reached in March, 1973,

giving Lebanon increased income, and pumping has resumed. Exports, some two-thirds of which went to Arab markets in 1970, are principally agricultural although industrial exports are increasing—a trend which should become more evident following the conclusion of a preferential trade agreement with the European Economic Community signed last December. Increasing industrial activity is further reflected by the growing proportion of imports of raw materials and semi-finished products.

Prospects are bright, but the heavy reliance on services and the external sector implies a vulnerability to political events.

II

Jordan

Head of State: H.M. King Hussein

Exchange Rate: 0.80 Dinars = (US $2.46 = £1).

In recent years political events have disrupted the economy, Gross National Product growing between 1967 and 1971 at an average rate of just under 4 per cent per annum, less than that of previous years. The 1967 war resulted in the loss of the West Bank and necessitated the absorption of more than 300,000 refugees. Economic development was further retarded by civil disorders in 1970 and the consequent straining of relations with most Arab nations. Isolation increased following the announcement in March 1972, of King Hussein's intention to form a federated state, including the East Bank and the presently occupied West Bank, to be called the United Arab Kingdom. However, by the end of 1972, there were signs of an increasing accord with neighbouring Arab states and of a recovery in economic activity.

Expenditure in the budget for 1973 is estimated at JD 159 million, 28 per cent greater than in 1972, and in an attempt to restore growth to its former levels, a new three-year development plan (1973-75) was introduced in January. It is hoped that Gross Domestic Product will grow at an annual rate of 8 per cent to reach JD 274 million in 1957 and that some 70,000 new jobs will be created, lowering the present 8 per cent unemployment rate. Planned investment is to total JD 179 million, two-thirds of which is intended for economic projects and one-third for social schemes. Almost a quarter of the investment is to be used for the development of transport and communications, including the expansion of the port of Aqaba. Emphasis is also placed on agriculture especially irrigation, and industry and mining, which sectors together receive 15 per cent of the total allocation. It is hoped that almost half the necessary investment will come from investors. Although this may be rather over-optimistic, a new investment law passed in September last, designed to promote both foreign and domestid investment, may help to attain this target. Too much reliance may also have been placed on overseas sources of finance. The economy is already heavily dependent on foreign aid, more than JD 37 million being received in 1972 for budgetary support from Saudi Arabia and the USA and the JD 53 million required in foreign loans to achieve the plans would almost double the present external debt and could prove an excessive burden.

Agriculture, amounting to 18 per cent of GDP in 1972 and employing about three-quarters of the labour force, is the most important sector of the economy. The loss of the West Bank, and in particular its valuable production of fruit and vegetables for exports, has been a serious blow.

Despite a recovery from the depressed conditions of 1970 in the East Bank, cereal output has also suffered: some 100,000 tons of wheat are to be imported from the USA in 1973 to meet domestic shortages. However, by increasing the area under cultivation, irrigation and improved marketing, an increase in production from an estimated JD 39 million in 1972 to some JD 47 million in 1975 is envisaged.

Jordan : Total Trade
(in US $ million)

	Exports	Imports	Balance
1970	34.2	184.5	—150.3
1971	31.9	214.5	—182.6
1971 (*Jan.-Sep.*)	25.8	162.1	—136.3
1972 (*Jan.-Sep.*)	32.8	208.3	—175.5

Although industrial development has also been hindered by the disturbances of recent years, some expansion has occurred and during the three-year plan it is intended to increase by 50 per cent the value of manufacturing and mining output, which at present accounts for less than 10 per cent of GDP. Although two-thirds of industrial plants are engaged in processing food or in clothing manufacture, most industrial income comes from phosphate extraction, cement manufacture and petroleum refining. Production of phosphates, the principal export commodity, has declined since 1967. However, exports amounted to 953,500 tons last year, almost 50 per cent more than in 1971: reflecting the success of a policy of developing new markets. Prospects are also improved by the re-opening of the border with Syria in December last. Hopes of further mineral wealth were raised by the discovery in 1972 of copper deposits, but, despite exploration, no commercially exploitable deposits of oil have been found so far.

Between 1968 and 1971 the traditional trade deficit widened considerably, imports increasing and exports falling, and the balance of payments, partly reflecting a drop in earnings from tourism, has moved into deficit. Exports declined in 1971 principally because of a fall in value of exports of foodstuffs, some 45 per cent of total exports, usually marketed in other Arab states, while as a result of effects of the war, imports of food have replaced machinery and transport equipment as the principal import. The lifting of restrictions on Jordanian trade. imposed by the Arab states in retaliation against the government's attitude to the guerrillas, shouid improve trade prospects. Substantial foreign aid has helped to maintain liquidity and at the end of December last total reserves stood at $270 million, a rise of $17 million compared with a year earlier.

Although it is possible that, given foreign backing and political stability, the aims of the development plan could be achieved, recent events including reports of an attempt at a coup late in 1972, may reduce investors' confidence and retard economic progress.

III

Iraq

President: Field Marshal Ahmen Hasan Bakr.

Exchange Rate: Not available in London.

Economic potential remains underutilised, largely because a combination of under-population, abundant land, and wasteful agricultural methods prevail. Oil revenues are being increasingly used to finance development and sufficient land and water resources exist for these revenues to be spent more productively than in most Middle East oil states. Latest figures reveal that Gross Domestic Product increased by nearly 6 per cent per annum between 1964 and 1969. During the present Plan (1970—74) the government aims to increase GDP by 7.1 per cent per annum and agriculture and industrial output by 5 per cent and 12 per cent per annum respectively. Special efforts are to be made

to improve the performance of the agricultural sector.

Irrigation and drainage schemes have come up againtt difficulties because of flooding and agricultural development has been unsatisfactory—less than one sixth of total cultivable land is utilised. The adoption of barrage schemes should reduce the dangers from floods and also improve the communications system which has handicapped development. Because Iraq does not possess a population surplus over and above its agricultural capability, the government aims at gradual industrialisation, based on the domestic resources available and an assured domestic market. Few large industries exist and the bulk of manufacturing activity is geared to consumer products, services and construction. Despite government control over most industrial resources and existing projects, special emphasis in the present plan is being given to the private sector and to the development of northern Iraq, where mineral deposits are being exploited. Total expenditure during the plan was

Iraq : Total Trade

(in US $ million)

	Exports	Imports	Balance
1970	1,098.7	508.8	+589.9
1971	1,571.3	711.0	+860.3
1971(Jan.-Aug.)	1,013.9	454.5	+559.4
1972(Jan.-Aug.)	842.1	497.6	+344.5

originally estimated at around ID 1,000 million, of which the government was to finance ID 537 million and ID 490 million to come from oil revenues. Events in the past year have naturally affected these forecasts.

improving communications

Considerable attention is being paid to improving communications. The road system is being rebuilt with the aid of a $23 million World Bank loan as part of a $54 million scheme. A new port and airport are also being constructed and the railway network is extending new links to neighbouring countries. Another World Bank loan of $27.5 million has been granted as part of a $61 million telecommunications system.

The oil industry has become increasingly important in recent years and revenues, partly because of new pricing arrangements, soared from $483 million in 1969 to over $900 million for the year to end-March 1972. The industry accounts for only 20 per cent of GDP but contributes 80 per cent to foreign exchange receipts and two-thirds of government revenues. Disputes between the producing companies and the government have hampered performance in the past but in 1972 they threatened to undermine the economy.

The long-standing disagreements came to a head in June, 1972, when the Iraq Petroleum Company (IPC) was nationalised, a move which meant that the government had to maintain production and market the output in order to sustain the revenues essential for development. However, the operations of IPC's associate companies were not affected and the economic impact has not been as serious as originally feared, although oil production is estimated to have fallen by 17 per cent in 1972 to 68 million tons. Net receipts for 1972 are essimated to be well below the previous year but about the same as for 1970 when they reached £214 million.

agreement reached

An agreement between the government and IPC was, however, reached on March, 1, 1973, when IPC conceded the June nationalisation. The government is to receive £141 million from IPC in settlement of a dispute over royalties and also the Mosul Petroleum Company (an IPC associate) without any compensation. In return, the government is to deliver 15 million tons of crude oil, valued at about £128 million, to IPC over the next two years.

Another of IPC's associates, the Basrah Petroleum Company, is to remain independent; it dropped its compensation claims, and has agreed to raise its output to 80 million tons per annum. However, it is likely that Iraq will acquire a stake in the Basrah field, rising to 51 per cent in 1982, thus staying in line with the recent participation agreements signed by the major international oil companies and the Gulf states. The terms of the agreement have been generally considered to be a powerful stimulus to the economy and a recovery from the difficulties of last year should take place in 1973. Another important agreement was reached in February when the Compagnie Francaise des Petroles, a member of the IPC group, signed a 10-year contract for deliveries of Iraqi nationalised crude oil, thus assured Iraq a market at a time when oil exports have fallen.

Austerity measures, including import restrictions, were introduced after the nationalisation of IPC last year and foreign exchange reserves have been successfully protected, standing at $757 million in November last, compared with $534 million a year earlier.

IV

Syria

President: Licut-Gen. Hafiz Assad.
Exchange Rate : £S10=£1 (US $2.46=£1).

Economic performance has been hindered in the past by political instability but some degree of recovery was achieved in 1970 and 1972. The Net Domestic Product increased by 11 per cent to almost £S 5,500 million in 1971 and the 1972 projection of 4 per cent growth may turn out to be an under-estimate. Over the last four years the average growth rate has been about 7.5 per cent per annum. In 1972 especially, prospects improved mainly as a result of a record grain harvest, but a sustained improvement depends, among other factors, on the consolidation of a peaceful political environment. In December last a new government was formed under prime minister Mahmoud Ayyoubi and policies are expected to remain unchanged. Greater political stability should also result from the permanent constitution adopted this year.

Although accounting for only 20 per cent of GDP, agriculture employs two-thirds of the labour force and it is expected that last year's harvest will be translated into a higher level of aggregate demand. The wheat crop was more than doubled to 1.9 million tons, which was expected to produce export revenues of £S 240 million in 1972, and barley production was

Syria : Total Trade

(In US $ million)

	Exports	Imports	Balance
1970	203.0	359.9	—156.9
1971	194.6	439.0	—244.4
1971(Jan.-Sept.)	140.0	295.1	—154.2
1972(Jan.-Sept.)	171.6	354.2	—182.6

almost trebled to 735,000 tons. Cotton is by far the most valuable crop and, with cotton products, has accounted for about half of total exports in recent years. Priority in the agricultural sector must be given to extending the area under cultivation and arresting the fall in productivity experienced in the past decade. Land reclamation and irrigation schemes are also receiving attention in the 1971-75 plan. Some 35 per cent of total expenditure has been allocated to agriculture and

(*Over to p. 1198*)



THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Announcement regarding the issue of 5,00,000 Equity Shares of Rs. 10 each a
Persons interested in full details may obtain copies of the Prospectus and Ap
hereunder. The subscription list will open at the commencement of banking h
the discretion of the Directors, but not before the close of banking hours on

An application has been made to the Calcutta Stock Exchange for permission to deal in and

Bata India Limited

HISTORY, ACTIVITIES AND OBJECTS OF THE ISSUE :
The Company was incorporated under the name of Bata Shoe Company Limited on December 23, 1931. Pursuant to the requirements of the Companies Act, 1956, the Company's name became Bata Shoe Company Private Limited in April 1956. The Company became a Public Company on April 7, 1973 and its name was changed to BATA INDIA LIMITED. The objects of the Company are fully set out in the Memorandum of Association and in particular to carry on business as boots and shoes manufacturers, dealers in hides and skins, manufacturers of and dealers in rubber goods, footwear machinery and carry on business as tanners.

Starting the first production of Rubber and Canvas shoes in India in its rented premises in Konnagar, near Calcutta, in 1931, BATA-INDIA set up its factory in Batanagar—the "TOWN OF GOOD SHOES" (near Calcutta)—where production of Leather Footwear started in 1936. Tanning was introduced in Batanagar in 1937 and a Rubber Collecting Station established in Kottayam, Kerala in 1939. A Machinery Department (now a full-fledged Engineering Division) was established in Batanagar, which produced the first India-made major shoe machine in 1942. Simultaneously—Chemical, Research and Auxiliary Departments were set up to cover operational needs and to meet deficiencies arising out of import restrictions and non-availability of materials and equipment. The growing demand for the Company's products called for substantial increase in its output and the Company embarked on its expansion programme. A Leather production unit was established in Bataganj, near Patna in 1942; a Rubber and Textile production unit was started in Faridabad Haryana in 1951; and the country's most up-to-date Tannery was set up in Mokamehghat, Bihar in 1952.

BATA-INDIA thus grew to be a great industrial complex, which it is today—employing over 22,000 people in its factories and sales network and still aspiring to meet the evergrowing demand for a very wide range of products. Today the Bata plants produce 4.5 crore pairs of footwear annually. The Company assists the footwear manufacturers in the small-scale sector by providing them training facilities, technical know-how and marketing. The Company is a major supplier of footwear to the Armed Forces and is also the leading exporter of footwear in India—earning over 4 crores of rupee annually in hard currency foreign exchange. With rapid industrialisation of the country and self-sufficiency in food, shoe wearing habits are bound to grow both in the urban and rural areas. The Company also expects to make steady progress in its exports as heretofore.

With a view to introducing Indian participation in the Company's shareholding, negotiations were started with the Government of India and the Government has given its approval to an issue of 5 lacs new shares as well as a sale by the existing shareholders of 4 lacs shares to the Life Insurance Corporation of India and the Unit Trust of India and a further one lac shares for sale to the public, all at a premium of Rs. 20 per share of Rs. 10 each.

The object of the issue of new equity shares and offer for sale of five lacs existing shares is to implement the scheme approved by the Controller of Capital Issues for Indian participation in the Share Capital of the Company. The issue of the new equity shares will also result in augmenting the financial resources of the Company.

BOARD OF DIRECTORS :

	Other Directorships.
JOSEF VYORAL 70 Montclair Avenue, Toronto 10, Ontario, Canada. *Chairman*	Bata Industries Ltd.—President Batawa, Canada. Bata Virgin Islands Inc.—President St. Thomas, Virgin Islands (U.S.A.) and Others.
PETER ZDENEK BALDIK 5 Mayfair, Calcutta-700019. *Managing Director*	
PRAMOD KUMAR NANDA 16 Belvedere Road, Calcutta-700027	The Metal Box Co. of India Ltd. —Managing Director Kosmek Plastics Manufacturing Ltd. —Chairman Security Printers of India Pvt. Ltd.
KARUNA KANT DUTT 55 Karaya Road, Calcutta-700019.	Place, Siddons & Gough (P) Lt —Managing Director. British Paints (India) Ltd. Molins of India Ltd. and Others
JOHN NEHOSLAV BEK 3 Mayfair, Calcutta-700019.	
ANIL MOHAN BANERJEE 9/B Abdul Rasul Avenue, Calcutta-700026.	

PRINCIPAL ADVISER :
MOTI LALL KHAITAN
99A Rajpur Road, Dehradun.

SECRETARY :
JAGDISH SINGH GOPAL
27 Lansdowne Court,
5 Sarat Bose Road, Calcutta-700020

SOLICITORS
KHAITAN & CO., 1B Old Post Office Street, Calcutta-700001.

AUDITORS
S. R. BATLIBOI & CO., Chartered Accountants,
36 Ganesh Chandra Avenue, Calcutta-700013.

BANKERS TO THE COMPANY
STATE BANK OF INDIA, 1, Strand Road, Calcutta-700001

SHARE CAPITAL :

Authorised	
30,00,000 Equity Shares of Rs. 10 each	Rs. 3,00,00
Issued, subscribed and fully paid up	
25,00,000 Equity Shares of Rs. 10 each	Rs. 2,50,00
TOTAL OF PRESENT ISSUE AND OFFER FOR SALE	
6,00,000 Equity Shares of Rs. 10 each	Rs. 60,00
PRESENT ISSUE OFFERED FOR PUBLIC SUBSCRIPT FOR CASH IN TERMS OF THE PROSPECTUS	
5,00,000 Equity Shares of Rs. 10 each at a premium of Rs. 20 per share.	Rs. 50,00

Terms of payment

On application	Rs. 15 per share	(Rs. 5 on capital accoun Rs. 10 on premium acc
On allotment	Rs. 15 per share	(Rs. 5 on capital accoun Rs. 10 on premium acc
	Rs. 30 per share	

NOTE : Any portion of the amount paid on application refun on allotment will be adjusted towards the amount payabl allotment of shares actually allotted to the applicants concerne

Failure to pay the amount due on allotment will render the sh including the amount already paid up on them, liable to forfeitu

PRESENT OFFER FOR SALE BY MESSRS. LEADER A
1,00,000 Equity Shares of Rs. 10 each fully paid up at a premium of Rs. 20 per share. Rs. 10,0

Terms of payment :	On application	Rs. 15 per
	On acceptance	Rs. 15 per
		Rs. 30 per

NOTE : Any portion of the amount paid on application refun on acceptance will be adjusted towards the amount payab acceptance of shares.

Failure to pay the amount due on acceptance will render it liab cancellation by the Offeror.

Messers. Leader A. G. (referred to in the Prospectus as the Of have agreed to offer for sale to the Indian public out of their pr holding 1,00,000 Equity Shares of Rs. 10 each fully paid up Share Capital of the Company and have irrevocably constitute Company as their Attorney for the sale thereof. The Compan accordingly act only as the Attorney of the Offeror in conne with the sale referred to above, and the net sale proceeds rec by the Company (that is to say, after payment of the nec underwriting commission, brokerage, stamp duty and other cha will, subject to the terms of the sanction of the Reserve Ba

fer for sale of 1,00,000 fully paid up Equity Shares of Rs. 10 each, both at a premium of Rs. 20 per share.
tion Forms from the Managing Brokers, Brokers, Underwriters and Bankers to the Issue mentioned
on Monday, June 25, 1973 and close at the close of banking hours on Wednesday, July 4, 1973 or earlier at
nesday, June 27, 1973.

official quotation for the Equity Shares of the Company.

erporated on December 23, 1931 under the Indian Companies Act, 1913)
gistered Office : 30 Shakespeare Sarani, Calcutta-700017.

India, be paid to the Offeror or will be disposed of in accordance with their instructions and the Company will not receive any remuneration, compensation or other benefit in respect of this sale of shares. In the premises the Company, as the Attorney of the Offeror, offers the said 1,00,000 fully paid up Equity Shares for sale to the Indian public on the terms of the Prospectus which are the same as those for the 5,00,000 new Equity Shares of Rs. 10 each offered for public subscription.

UNDERWRITERS :

The entire issue of 6,00,000 shares (being the total of the shares issued by the Company and offered for sale) has been underwritten as follows :—

Name of Underwriter	Nominal value of Shares underwritten
PLACE, SIDDONS & GOUGH (P) LTD., Calcutta	Rs. 16,00,000
NATIONAL AND GRINDLAYS BANK LTD., Calcutta	3,50,000
STEWART & CO., Calcutta	3,00,000
BRIJNATH KHANDELWAL & CO., Calcutta	1,50,000
G. M. BOSU, Calcutta	1,00,000
MURARKA BROS., Calcutta	1,00,000
N. L. ROY & CO., Calcutta	1,00,000
DAYCO, Calcutta	1,00,000
BHUPENDRA CHAMPAKLAL DEVIDAS, Bombay	2,50,000
HARKISONDASS LUKHMIDASS, Bombay	2,50,000
MERWANJEE BOMANJEE DALAL, Bombay	2,50,000
CHIMANLAL J. DALAL & CO., Bombay	1,50,000
BATLIVALA & KARANI, Bombay	1,00,000
D. S. PURBHOODAS & CO., Bombay	1,00,000
JAMNADAS MORARJEE & CO., Bombay	1,00,000
L. K. PANDAY, Bombay	1,00,000
AMRITLAL BAJAJ & CO., New Delhi	3,50,000
H. P. MEHTA & CO., New Delhi	3,50,000
BHARAT BHUSAN & CO., New Delhi	2,00,000
HARBANS SINGH MEHTA & CO., New Delhi	2,00,000
VINOD KUMAR & CO., New Delhi	2,00,000
RAJA RAM BHASIN & CO., New Delhi	1,00,000
J. C. MEHTA, New Delhi	1,00,000
JALAN & CO., New Delhi	1,00,000
BEHARILAL & CO., New Delhi	1,00,000
PATERSON & CO., Madras	1,00,000
M. NANJAPPAIAH JAHGIRDAR, Bangalore	1,00,000
TOTAL	Rs. 60,00,000

MANAGING BROKERS:
PLACE, SIDDONS & GOUGH PRIVATE LIMITED,
6 Lyons Range, Calcutta-700001.

BROKERS :

Calcutta :
PLACE, SIDDONS & GOUGH (P) LTD., 6 Lyons Range, Calcutta-700001.
N. L. ROY & CO., 7 Lyons Range, Calcutta-700001.
STEWART & CO., 14 India Exchange Place, Calcutta-700001.
G. M. BOSU, 7 Lyons Range, Calcutta-700001.
BRIJNATH KHANDELWAL & CO., 13 India Exchange Place, Calcutta-700001.
RAMNARAIN KAYAN & CO., 7 Lyons Range, Calcutta-700001.
MURARKA BROS., 7 Lyons Range, Calcutta-700001.
DAYCO, 7 Lyons Range, 3rd Floor, Room No. 11, Calcutta-700001.

Bombay :
BHUPENDRA CHAMPAKLAL DEVIDAS, Bhupen Chambers, Dalal Street, Fort, Bombay-1.
BATLIVALA & KARANI, Union Bank Building, Dalal Street, Fort, Bombay-1.
HARKISONDASS LUKHMIDASS, Stock Exchange Bldg., 5th Floor, Apollo Street, Fort, Bombay-1.
MERWANJEE BOMANJEE DALAL, Allahabad Bank Bldg., Apollo Street, Fort, Bombay-1.
CHIMANLAL J. DALAL & CO., 107 Stock Exchange New Bldg., Dalal Street, Fort, Bombay-1.
D. S. PURBHOODAS & CO., Stock Exchange Bldg., Apollo Street, Fort, Bombay-1.
JAMNADAS MORARJEE & CO., 5A Hamam Street, First Floor, Bombay-1.
L. K. PANDAY, Bank of Maharashtra Bldg., 45/47 Apollo Street, Bombay-1.

Delhi :
HARBANS SINGH MEHTA & CO., 33 Regal Bldg., Parliament Street, New Delhi-1.
BHARAT BHUSAN & CO., H-45 Connaught Place, New Delhi-1.
AMRITLAL BAJAJ & CO., United India Life Bldg., "F" Block, Connaught Place, New Delhi-1.
J. C. MEHTA, 44 Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.
RAJA RAM BHASIN & CO., Jewan Mansion 8/4 Desh Bandhu Gupta Road, New Delhi-55.
H. P. MEHTA, Surya Kiran, 3rd Floor, Kasturba Gandhi Marg, New Delhi-1.
VINOD KUMAR & CO., A-6 Connaught Place, New Delhi-1.
JALAN & CO., Stock Exchange Building, Asaf Ali Road, New Delhi-1.
BEHARILAL & CO., Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.

Madras :
PATERSON & CO., Vanguard House, (3rd Floor), 11/12 Second Line Beach, Madras-1.
CHITRA & CO., 322/323 Linghi Chetty Street, Madras-1.

Bangalore :
M. NANJAPPAIAH JAHGIRDAR, 205 Cavalry Road, Bangalore-1.
VIJAY & CO., 9 Eleventh Main Road, Malleswaram, Bangalore-3.

Hyderabad :
P. B. AFJULPURKAR, Sultan Bazar, Hyderabad, (A.P.).

Indore :
PUSHKARLAL GHUDAWALA, 44 Bada Sarafa, Indore-2.

Ahmedabad :
CHINUBHAI CHIMANLAL DALAL, Mahurat Pole Naka, Manek Chowk, Ahmedabad-1.

BANKERS TO THE ISSUE:
STATE BANK OF INDIA
1 Strand Road, Calcutta-700001.
Or any of its main offices at : Ahmedabad, Amritsar, Bangalore, Bombay, Chandigarh, Cuttack, Delhi, Gauhati, Hyderabad, Indore, Jamshedpur, Kanpur, Lucknow, Madras, New Delhi, Patna and Poona.
NATIONAL AND GRINDLAYS BANK LIMITED
41 Chowringhee, Calcutta-700016.
Or any of its main offices at : Amritsar, Bangalore, Bombay, Cochin, Delhi, Gauhati, Hyderabad, Kanpur, Madras and New Delhi.

APPLICATION FOR SHARES

Applications for shares shall be made only by Indians resident in India and must be for a minimum of 50 shares or multiples thereof. Application Forms duly completed together with the amount payable on application i.e. at the rate of Rs. 15 per share must be lodged before the close of the Subscription List with any of the above two Bankers to the Issue at the places mentioned against them.

Applications must be made in single names only and not in joint names. Transfer to joint names will, however, be permissible subject to the approval of the Board of Directors after allotment is made. An applicant should submit only one application (and not more than one) for the total number of shares required. The Board of Directors reserves the right to reject in its absolute discretion applications in joint names and multiple applications by the same applicant.

related products; a major share goes to the Euphrates Dam scheme scheduled for completion in 1975. Total costs of the dam are expected to exceed £S2,200 million and the government claims that it will help to double national income and save an annual £S750 million in foreign exchange.

Manufacturing and mining has only recently begun to contribute more than agriculture to GDP, industrial production having more than trebled in the past twenty years. Textile production has been the major stimulus and accounts for almost half the value of total production. Industrial output is also expected to have increased in 1972, being boosted by the traditional mining and manufacturing sector and the relatively new phosphate, fertiliser and crude oil industries.

improved position

Oil production is a recent addition to the economy and although output targets have regularly been missed, the position has improved in the past few years. In 1970 output reached 4.6 million cubic metres and in the year to mid-November 1972, 6.2 million cubic metres had been produced. Marketing has also been a major problem but oil exports in 1971 still represented 25 per cent of the total. A major development last year was the nationalisation of the assets of the western-owned Iraq Petroleum Company (IPC) in Syria: this decision was likely to reduce foreign exchange earnings in 1972 by as much as £S 150 million because of a loss in transit royalties. However, an agreement was reached in January whereby the Syrian Company for Oil Transport, which took over the IPC assets, has agreed for its pipelines to be used by Iraq to pump oil to the Mediterranean ports. It is expected that Syria will receive about £S 600 million this year under the terms of the agreement, compared with an annual £S 340 million before nationalisation.

Economic development is being substantially aided by external loans. A number of agreements were signed in 1972—primarily with eastern bloc countries; the most important was a 25 million rouble loan for the oil industry and a 21 million rouble loan to develop the railways and water resources. Hydro-electric and irrigation projects received additional loans amounting to 24 million roubles, while a new oil refinery and cement plant are to be built as a part of a $100 million aid agreement with Rumania signed in October last. The 1973 budget, approved by the National Assembly in February, provides for expenditure of £S 3,413 million, an increase of £S 208 million over 1972. The total outlay is to be divided equally between development and the general state budget. On the development side, the industrial and agricultural sectors are to take approximately one-third each.

The external position has deteriorated steadly in recent years; the current account deficit widened by 28 per cent to £S 288 million in 1971. In the 1971-73 Plan it is hoped to reduce exports of local raw materials, to replace them with processed or semi-processed exports, and to carry out some import substitution. "Luxury" and "non-essential" goods will also be restricted and priority will be given to the import of equipment, machinery and other capital goods needed for development.

Eastern bloc countries have been leading suppliers in recent years but efforts to lesson dependence on them have been successful; the EEC has become more important as a supplier and is now also the principal market. At the end of September last, total reserves stood at $126 million, an increase of $62 million, compared with a year earlier.

V

Import Regulations and Payments

In all these four countries the import of some commodities is banned. Licences, which should be obtained before shipment, are required for all goods in Iraq and Syria, most imports in Jordan, but for only the minority of items in the Lebanon. In addition, Syrian imports are subject to strict government control and sea-borne imports to Jorden must pass through the port of Aqaba or become liable to a fine, while airborne goods should be carried by the Royal Jordanian Airlines. The granting of a licence guarantees the necessary foreign exchange in Jordan and Iraq.

Delays are being experienced with payments for exports to Syria and secure payment terms are advised. There are some delays with payments in Iraq, mainly in the private sector, but no difficulties are being experienced with payments from the Lebanon and Jordan, although letter of credit terms are advised for Jordan until the economic situation clarifies. In view of the political situation in the Middle East, all payment positions should (as the usual euphemism says) "be kept under review".

Sources and acknowledgements: The foregoing summarises a report kindly sent me on your behalf by the Barclays Group Intelligence Unit (54 Lombard St., London E.C. 3P: 3AH) but the Unit is responsible neither for the emphasis of my summary nor for my interspersed comments.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Inquiries regarding subscription and advertisements may be addressed to:

The Manager,
The Eastern Economist Ltd, Post Box No. 34, New Delhi-1.

The transatlantic dialogue

Paul W. McCracken
New York

A VINTAGE year is scheduled for the international economy. This September in Tokyo another round of negotiations to reduce trade barriers is scheduled to begin, and the Administration has already put forward proposed legislation to give the President the necessary negotiating authority. The Committee of Twenty is also hard at work on proposals for a new international monetary system, something that presumably will get attention at the annual September meeting of the International Monetary Fund and the World Bank.

On purely economic grounds an optimistic expectation would be in order. In spite of currency turbulence and crises during the last two years, the international economy still seems to be very much alive. For one thing the volume of world trade has continued to expand vigorously. Exports of the 10 major trading nations, which account for about three-quarters of the world total, are now running about 20 per cent above the year-ago levels. While price increases account for some of this expansion, the volume of trade in real terms seems to have been rising somewhat more rapidly than production and real incomes. The forces working for an expanding volume of international trade and commerce seem to be sturdy things. They continue to be effectively at work.

improving trade

Moreover, the stubborn US trade deficit is beginning to show some early indications of improving. It is significant that during the vigorous domestic expansion last year, the trade deficit declined from a 6.7 billion dollar annual rate in the first half of 1972 to a 6.0 billion dollar rate in the second half, and to a 3.7 billion dollar rate in the first quarter of 1973. The first quarter improvement is too dramatic to be sustained and the further devaluation of the dollar in February must be expected to have the usual adverse effect in the short-run on our trade. But it is significant that the general trend of the deficit since a year ago has been downward in spite of the powerful tendency for a domestic boom to pull in imports

Beyond this there are enough instances now of foreign firms cancelling plans to enter the US market to suggest that the 1971 devaluation, the generally greater rates of inflation abroad, and now another dollar devaluation have brought the US price-cost level back into line with those abroad. A case could, in fact, be made that in terms of relative price-cost levels the dollar in a fundamental sense is somewhat under-valued.

Finally, we have already achieved a more stable international monetary system by allowing exchange rates to float. There were always logical reasons for believing that, paradoxical as it may sound, rigid exchange rates would mean international monetary instability and flexibility of rates would mean a more stable system. The reason is, of course, simple. If exchange rates are not free to adjust as prices, costs and technological conditions move at different rates among nations, the particularly strong currency, for example, confronts the foreign exchange markets with one-sided uncertainty. The only uncertainty is when and by how much the currency will have to be revalued upward. There is obviously no down-side risk. Naturally an avalanche of funds moves towards that country. While the inevitable exchange rate appreciation may be attributed to speculators, since a propensity to demonological explanations remains strong, the real cause is the exchange rate set-up that confronted the markets with this one-sided uncertainty.

With exchange rates free to move, a shift of funds toward a country will strengthen that nation's currency, but anyone moving money into that currency must reckon with a downside risk also. There is, therefore, decidedly less incentive to join any incipient tidal wave movement. We saw this again in May as rumours that a further D-mark appreciation would be part of West Germany's anti-inflation programme had a brief flurry. No tidal waves developed, and the markets generally remained orderly.

competitive devaluations

The present flexible rate system also minimised another problem—the fact that nations have inherently inconsistent external trade objectives. Most nations want exports in excess of imports—something difficult to achieve since an export is somebody's import. The attempt to achieve it under a fixed-rate system, however, courts the risk of competitive devaluation against the standard, and this has been part of the systemic process by which the dollar (the standard) come to be overvalued. If a country pursues a deliberate policy of an exchange rate that will tend to keep its currency persistently undervalued, it can exert a disturbing effect on the world economy that is almost unrecognised because the strength of its currency and payments position seemingly reflects rectitude and virtue. France, for example, has a long history of keeping its exchange rate at a level that tends to undervalue the franc. The unnecessary 1969 devaluation of the franc is an illustration.

We have, therefore, now a monetary system that is more attuned to the dynamics of a fast-moving and uncertain world than the Bretton Woods structure, and there seems to be a greater disposition among finance ministers and central bankers to accept that it is. The real question is whether Europe and the United States can talk to each other. At least talk to each other in any meaningful and problem-centred way. Europe has, of course, some *bonafide* reasons for uneasiness about the United States. Here we are only a few months from the Tokyo trade negotiations, scheduled to begin in September, and the Administration has no authority to negotiate. Liberal trade legislation is never easy, and Europe sees particular problems for this year's trade bill. These range all the way from the rise of protectionists sentiment to fears that L'affaire Watergate will so immobilise the Administration that it cannot keep the Trade Bill on the rails in the Congress.

long shadow

Beyond uncertainty about prospects for the trade legislation needed if the US is to participate in the Tokyo round, Europe has more generalised concerns. The old monetary system, as they see it, enabled us, armed with unlimited supplies of the world's key currency (the dollar), to charge about buying up their companies as they swallowed dollars to the point of choking. They believe, and in this they are probably correct, that US business is not nearly as export-minded as it ought to be. The US inflation that began in the mid-1960s still casts a long shadow, and the accelerated pace of our price level after the turn of the year arouses fears among some that Uncle Sam is at it again, mismanaging his internal economic affairs. Having set the economy on a long course of accelerating inflation after 1965, we must be prepared for the emergence of foreign worries that may well be out of proportion to even minor tendencies for the economy to stray off course.

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THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

SUPERIOR AIR PRODUCTS LTD

(INCORPORATED UNDER THE COMPANIES ACT. 1956)

Registered Office : 89, JOR BAGH, NEW DELHI-110003

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Registered Office of the Company. Bankers to the Issue, D. C. M. Computer Centre, Delhi, Underwriters, Managing Brokers and Brokers mentioned herein. The subscription list will open at the commencement of Banking hours on Wednesday the 20th June 1973 and will close at the close of Banking Hours on Friday, the 29th June 1973 or earlier at the discretion of the Directors of the Company, but not before the Banking hours on Saturday the 23rd June 1973.

OBJECTS OF THE COMPANY, PROPOSED ACTIVITIES AND BRIEF HISTORY

The Company was initially incorporated as a Private Limited Company in August 1972 whereafter in April 1973 its status was changed to a Public Limited Company. The Registrar of Companies Delhi and Haryana has stated that a Certificate of commencement of business is not necessary because the company was originally incorporated as Private Limited and had already commenced its business. The Company is setting up a totally integrated unit for manufacture of industrial gases e.g., Liquid and Gaseous Oxygen, Argon, Liquid and Gaseous Nitrogen, Dissolved Acetylene and Nitrous Oxide. This unit being set up in Gurgaon district will be modern, economically streamlined adopting the most sophisticated design and know-how in this field. This will be the largest industrial gases manufacturing unit in Northern India. The entire machinery and cylinders are being imported.

The Industrial Licence and the necessary Import Licences for machinery and equipment have been received. The machinery is expected to arrive in India by end of 1973 and production is expected to start early enough to take advantage of the grant of development rebate. In size, this unit will be the largest of its type in Northern India.

The Board consists of six Directors headed by Shri Dharma Vira, ICS (Retd), ex-Governor of Punjab, West Bengal and Mysore. Other Directors are experienced executives in various fields and their rich experience will be of great help and guidance to the company. The Directors are associated with many other top companies of India.

There has been a phenomenal rise in the consumption of industrial gases not only in Northern India but throughout the country. Oxygen gas is one of the essential raw materials for mini-steel plants, fabrication etc. The unit will be located in Faridabad from where beside meeting the local requirements, the area served would be around 150/200 miles radius.

PROGRESS

Having received the Import Licences, L/Cs are being opened and firm orders are being placed on the suppliers. Negotiations have almost been finalised for the purchase of land. Necessary arrangements for long term and short-term borrowings and deferred term payment guarantees have been approved in principle and will be finalized on submission of documents.

BOARD OF DIRECTORS

1. Shri Dharma Vira, Retd. I.C.S. S/o Raja Jwala Prasad, 53, Vasant Vihar, New Delhi-57. *Chairman.*	*Chairman* Harsha Tractors Limited, Delhi. *Director* Stepwell Industries Limited, Delhi. *Member* All India General Insurance Company Limited, Bombay.
2. Lala Bansi Dhar S/o L. Murli Dhar, 27, Sardar Patel Marg, New Delhi. *Business Director.*	*Chairman* Hindustan Vacuum Glass Limited, General Sales Private Limited, Bansi Dhar Associates Private Limited, Kui Handicrafts Private Limited, Doab Foods & General Industries (P) Ltd. *Director* : Shriram Refrigeration Industries Ltd. Shriram Ultra Cast Ltd. DCM International Ltd. Hindustan Polymers Ltd. Shriram Pistons & Rings Ltd. Madan Mohan Lall Shriram Private Ltd. Bharat Ram Charat Ram Private Ltd. Shriram Associates Private Ltd. Charat Ram Shri Dhar Private Ltd. Usha Sales Private Ltd. Shri Dhar Associates Private Ltd. Shriudyog Marketing Private Ltd. *Committee Member* Punjab, Haryana & Delhi Chamber of Commerce & Industry. Vanaspati Manufacturers Association of India. Indian Sugar Industry Export Corporation Limited.
3. Shri Ashok Chandra, S/o Shri Abinash Chandra, 89, Jor-Bagh, New Dehi. *Business Director.*	*Managing Director* Chandra Videsh Udyog (P) Ltd., New Delhi *Director* : East Coast Fisheries (P) Ltd., New Delhi.
4. Shri A. K. Roy, S/o Late Dr. Benoy Bhushan Roy, Retd. Comptroller & Auditor General of India, 3-A, Sujan Singh Park, New Delhi-110003. *Director.*	*Director* : Aluminium Corporation of India Ltd., Calcutta-1. Dhrangadhara Chemical Works Ltd., Bombay-1. Ferro Alloys Corporation Ltd., Tumsur (Maharashtra). Guest, Keen, Williams, Ltd., Howrah-3. Hindustan Wires Ltd., Calcutta-13. The Indian Tube Company Ltd., Calcutta-16. Madan Industries Ltd., P.O. Hastinapur (Distt. Meerut). The Press Trust of India Ltd., Bombay-1. Sankey Wheels Ltd., Durgapur-1. Rollatainers Ltd., New Delhi-3. Warner-Hindustan Ltd., Hyderabad-39. Tubular Containers Pvt. Ltd., Calcutta-13. Steel & Engineering Products Exports Pvt. Ltd., Bombay-1. The Kanpur Bottling Company (P) Ltd., New Delhi-1. Dolphin Fisheries (P) Ltd., Bombay-11. William Jacks & Co. (India) Pvt. Ltd., Bombay-1.
5. Shri Kuldip Chandra, S/o Kishan Chand, 85, Jor Bagh, New Delhi. *Business Director*	*Director* East Coast Fisheries(P) Ltd., New Delhi. Chandra Videsh Udyog (P) Ltd. New Delhi. *Managing Partner* New Book Depot, New Delhi.
6. Maj. Abinash Chandra, (Retd.) S/o Shri Kishan Chand, 89, Jor Bagh, New Delhi. Business *Managing Director*	*Chairman* East Coast Fisheries (P) Ltd., New Delhi. Chandra Videsh Udyog (P) Ltd., New Delhi.

SHARE CAPITAL

		Rs.	Rs.
Authorised			
4,50,000	Equity Shares of Rs. 10/- each	45,00,000	
5,000	Redeemable preference shares of Rs. 10/- each	5,00,000	50,00,000
Issued, Subscribed and Paid up		Paid-up Value	Nominal Value
5,000	Equity shares of Rs. 10/- each (Fully paid up)	50,000	50,000
75,000	Equity shares of Rs. 10/- each (Rs. 3,75,000/-) on which Rs. 5/- per share paid-up by Directors and friends	3,75,000	7,50,000
	Total :	4,25,000	8,00,000

Present Issue			
2,70,000	Equity Shares of Rs. 10/- each	27,00,000	27,00,000
50,000	Equity Shares of Rs. 10/- each are reserved for allotment to Directors, their friends and associates at par, for cash	5,00,000	
Now offered for cash at par to the public for subscription, in terms of prospectus.			
2,20,000	Equity Shares of Rs. 10/- each	22,00,000	
	Total :		27,00,000

TERMS OF PAYMENT

The amount payable on the shares shall be as follows :—

On application ... ... Rs. 2.50 per share
On allotment ... ... Rs. 2.50 per share

The balance of two calls will be payable at intervals of one month each, *i.e.*, Rs. 2.50 per share per call.

UNDERWRITERS

The entire issue offered to the public for subscription for cash at par in terms of the prospectus has been underwritten as under:—

UNDERWRITERS—SCHEDULE

(Superior Air Products Limited :
Regd. Office : 89, Jor Bagh, New Delhi).

Name & Address	Rupees in Lacs face value Equity
DELHI	
Bharat Bhushan & Co., H-45, Connaught Place, New Delhi-1.	4.50
Raja Ram Bhasin & Co. Jeewan Mansion, 8/4, Desh Bandhu Gupta Road, New Delhi-55.	2.00
Vinod Kumar & Co., A-6 Connaught Place, New Delhi-1.	1.00
Roshan Lal & Co., 42, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
Behari Lal & Co., 15, Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
Labh Chand Rode & Co., 3, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
D.B. Malhotra & Co., 18, Stock Exchange Building, Asaf Ali Road, New Delhi-1.	1.00
Sikandar Lal & Co., 42, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
Jalan & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
S.D. Kapur & Co., 59, Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
B. K. Khullar & Co., 31, Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
J. C. Mehta, 44, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-1.	0.50
BOMBAY	
Merwanjee Bomanjee Dalal, Allahabad Bank Bldg., Apollo Street, Fort, Bombay-1.	2.00
Jamnadas Morajee & Co., 5-A, Hamam Street, first Floor, Bombay.	1.00
M/s Nagindas Chhaganlal, Share & Stock Brokers, 68, Stock Exchange New Bldg., Bombay-1.	
Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay-1.	1.00
CALCUTTA	
M.M. Murarka & Co., 1/B, Mandeville Gardens, Calcutta-19.	2.00
Ramnarain Kayan & Co., 7, Lyons Range, Calcutta-1.	0.50
BANGALORE	
M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore-42.	1.00
AHMEDABAD	
Laxminarayan N. Gupta & Co., Opp. Dhanasuthar's Pole, Relief Road, Ahmedabad	1.00
Champaklal Bhallal Chokshi, Manek Chowk, Near Share Bazar, Ahmedabad	1.00
Total :	22.00

Auditors	Messrs. Khanna & Annadhanam 706, Akash Deep Building, 26-A, Barakhamba Road, New Delhi-1.
Internal Auditors	Messrs. K.K. Kapoor & Company 1E/18, Jhandewalan Extension, New Delhi-110055.

SECRETARY

Mr. R. B. Singh,
Chartered Accountant.
C-93, New Rajinder Nagar, New Delhi-110005.

LEGAL ADVISER TO THE COMPANY

Shri F. C. Bedi,
Advocate, Supreme Court and Delhi High Court, Connaught Place, New Delhi-110001.

MANAGING BROKERS

Messrs. Bharat Bhushan & Company,
H-45, Connaught Place,
New Delhi-110001.

ISSUE HOUSE

Messrs. D.C.M. Computer Centre,
Najafgarh Road, New Delhi-110015.

BROKERS TO THE ISSUE

DELHI

1. M/s. Amritlal Bajaj & Co., United India Life Building, F-Block, Connaught Place, New Delhi-110001.
2. M/s. B. K. Khullar & Co., 31, Delhi Stock Exchange, Asaf Ali Road, New Delhi-110001.
3. M/s. Beharilal & Company, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
4. M/s. Bharat Bhushan & Company, H-45, Connaught Circus, New Delhi-110001.
5. M/s. D. B. Malhotra & Company, 18, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
6. M/s. J.C. Mehta, 44, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
7. M/s. Jalan & Company, Stock Exchange Building, New Delhi-110001.
8. M/s. Labh Chand Rode & Company, 3, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
9. M/s. P. Roy Company, 3/8, M.M. Road, Jn. Panchkuin Road, New Delhi-110001.
10. M/s. Rajaram Bhasin & Company, Jewan Mansion, 8/4, D. B. Gupta Road, New Delhi-110055.
11. M/s. Roshan Lal & Company, 42, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
12. M/s. Sikendar Lal & Company, 42, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
13. M/s. S. D. Kapur & Company, 59, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
14. M/s. Vinod Kumar & Company, A-6, Connaught Place, New Delhi-110001.

BOMBAY

15. M/s. Bhupendra Champaklal, Devidas, 4th floor, Bhupen Chambers, Dalal Street, Fort Bombay.
16. M/s. Chimanlal J. Dalal & Company, 107 Stock Exchange Building, Dalal Street, Fort Bombay.
17. M/s Dhirajlal Maganlal Sons, Stock Exchange Building, Apollo Street, Fort, Bombay.
18. M/s. Devkaran Nanjee & Company, 56, Stock Exchange Building, Apollo Street, Fort Bombay.
19. M/s. Harkisondass Lukhmidass, Stock Exchange Building (5th floor), Apollo Street, Fort, Bombay.
20. M/s. Jamnadas Morarjee & Company, 5-A, Hamam Street, Bombay.
21. M/s. Jasvantlal Chhotalal & Company, Bhupen Chambers, Dalal Street, Bombay.
22. M/s. L. K. Panday, Bank of Maharashtra Building, 45/47, Apollo Street, Fort, Bombay.
23. M/s. Lewis & Jones, Bank of Baroda Building, 5th floor, Apollo Street, Fort, Bombay.
24. M/s. Mahadevia Brothers, Post Box No. 424, Stock Exchange Building Dalal Street, Fort, Bombay.
25. M/s. Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay.
26. M/s. Narandas & Sons, Union Bank Building, Dalal Street, Bombay.
27. M/s. Nagindas Chhaganlal, Share & Stock Brokers, 68, Stock Exchange New Bldg., Bombay-1.

CALCUTTA

28. M/s. Chunilal T. Mehta, 8, Lyons Range, Calcutta.
29. M/s. M. M. Murarka & Company, 1/B, Mandeville Gardens, Calcutta.
30. M/s. N. L. Roy & Company, 7, Lyons Range, Calcutta.
31. M/s. Place, Siddons Gough (P) Ltd., 8, Lyons Range, Calcutta.
32. M/s. Ram Narain Kayan & Company, 7, Lyons Range, Calcutta.

AHMEDABAD

33. M/s. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ratanpole, Ahmedabad.
34. M/s. Champaklal Bhailal Chokshi, Manekchowk, Near Share Bazar Ahmedabad.
35. M/s. Laxminarayan N. Gupta, Anandji Kalynaji Building, Opposite Dhanasuthar's Pole, Relief Road, Ahmedabad.

BANGALORE

36. M/s. M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Post Box No. 4271, Bangalore.
37. M/s. Jahgirdar & Co., Stock & Share Brokers, Seshadripuram, Bangalore.
38. M/s. M.L. Gopala Setty, Block No. 2, Ist Floor, Bank of India Building, Kampeogowda Road Bangalore.

HYDERABAD

39. M/s. P.B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad.

MADRAS

40. M/s. Chitra & Company, Post Box No. 1557, 322/323 Linghi Chetty Street, Madras.
41. M/s. Paterson & Company, Post Box No. 48, Vanguard House (3rd floor), 11/12, Second Line Beach, Madras.
42. M/s. Swastik & Company, Room No. 15, Bombay Mutual Annexe, 322/323, Linghi Chetty Street, Post Box No. 43 Madras.
43. M/s V. S. Krishnaswami & Company, 106, Armenian Street, Madras-1.

BANKERS TO THE COMPANY

(i) First National City Bank,
Parliament Street,
New Delhi-110001.

(ii) State Bank of India,
Parliament Street,
New Delhi-110001.

BANKERS TO THE ISSUE

STATE BANK OF INDIA

State Bank Building, Parliament Street,
New Delhi-110001.

Or any of their Main Offices at Agra, Ahmedabad, Amritsar, Bangalore, Baroda, Bhopal, Bombay, Calcutta, Chandigarh, Cochin, Dehra Dun, Delhi, Faridabad, Ghaziabad, Hyderabad, Indore, Jaipur, Jamshedpur, Jullundur, Kanpur, Lucknow, Ludhiana, Madras, Meerut, Mangalore, Muzaffarnagar, Mysore, Patna, Panaji Goa, Poona, Ranchi, Saharanpur, Surat, Varanasi.

FIRST NATIONAL CITY BANK

3, Parliament Street, New Delhi-110001.

Or any of their Main Offices at 293, Dadabhai Naoroji Road, Bombay-1, Taj Mahal Hotel, Apollo Bunder, Bombay, 241-242, Nariman Point, Bombay; 9, Brabourne Road, Calcutta-1; 43,Chowringhee Road, Calcutta-16; 15/16, Kondi Chetty Street, Madras-1; 153, Mount Road, Madras.

NEW BANK OF INDIA

Choudhary Building, K. Block, Connaught Circus, New Delhi-110001.

Or any of their Main Offices at Agra, Ahmedabad, Ambala Cantonment, Amritsar, Bangalore, Bombay; Bhawani, Calcutta, Dehra Dun, Faridabad Township, Ghaziabad, Gurgaon, Hoshiarpur, Hissar, Jaipur, Jullundur, Kanpur, Karnal, Ludhiana, Madras, Meerut, Pathankot, Panipat, Patiala, Rohtak, Sonepat, Srinagar, Surat.

BANK OF BARODA

Parliament Street, New Delhi-110001.

Or any of their Main Offices at Ahmedabad, Amritsar, Allahabad, Ajmer, Bangalore, Bhavnagar, Baroda, Bhopal, Bombay, Calcutta, Chandigarh, Cochin, Delhi, Gwalior, Hyderabad, Indore, Jaipur, Jamnagar, Kanpur, Lucknow, Madras, Mysore, Nagpur, Navsari, New Delhi, Panaji Goa, Poona, Surat, Trivandrum, Udaipur, Vapi, Varanasi.

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Parliament Street, New Delhi-110001.

Or any of their Main Offices at Adoni, Ahmedabad, Alleppey, Anand, Bangalore, Baroda Bhavnagar, Bhopal, Bombay, Calcutta, Coimbatore, Cuttack, Delhi, Gwalior, Hyderabad, Indore, Jaipur, Jamshedpur, Jodhpur, Kanpur, Lucknow, Madras, Mangalore, Mysore, Nagpur, New Delhi, Patna, Poona, Rajkot, Sangli, Sholapur, Surat.

PROSPECTUS AND APPLICATIONS : FOR SHARES

Copies of the Prospectus and application forms can be obtained from the Registered Office of the Company, Underwriters, Issue House, Managing Brokers, Brokers, Bankers to the issue, named herein or from their main offices/branches at places mentioned above. Application must be made on the prescribed form only and in accordance with the instructions contained in the form and will be refused if not so made. Applications may be made only by residents of India and must be for a minimum of 50 equity Shares or multiples thereof. Multiple applications are liable to be rejected. Application forms properly completed must be delivered before the close of subscription list together with full amount payable on application to any of the Bankers to the issue or their main Offices/Branches at the places mentioned in the application forms.

——————————SWAINAD/341——————

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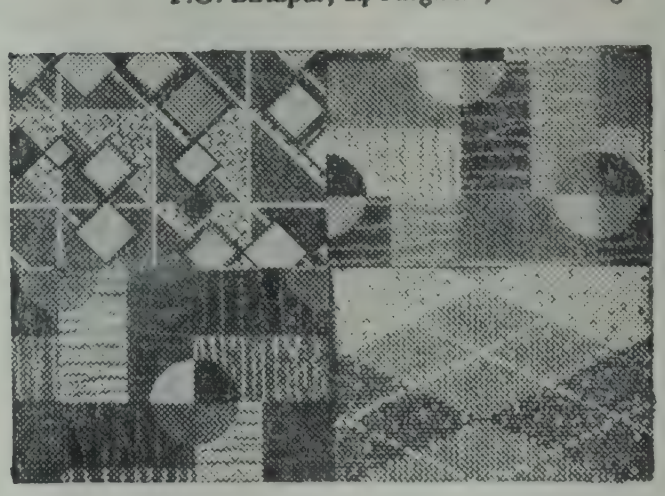
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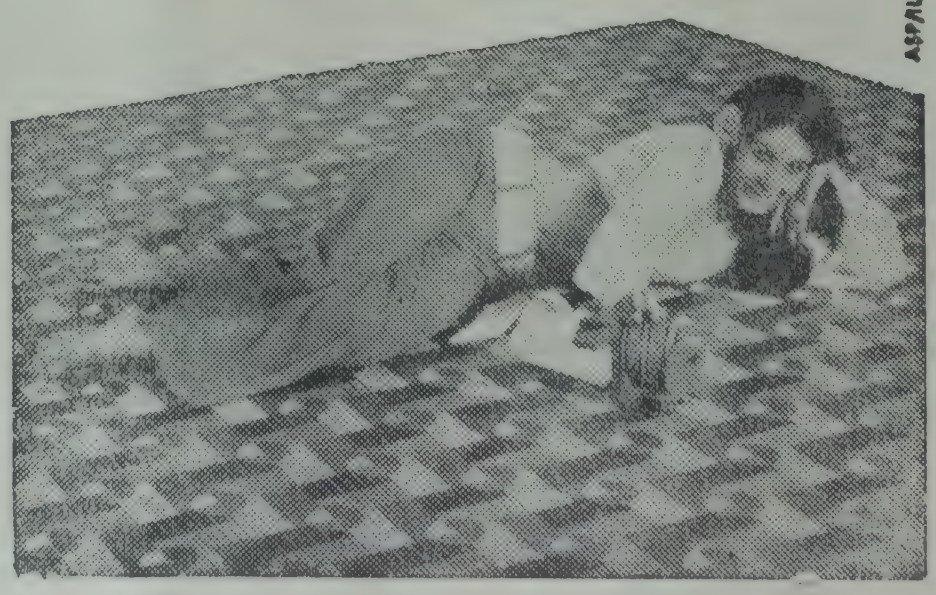
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MOVING FINGER

I had always wondered why the prime minister was not more enthusiastic than she seemed to me about the family planning campaign of the government of India. A clue of sorts is now available in what she has to say about her own personal attitude towards having children. In an interview she gave to Miss Oriana Fallaci, an Italian journalist, some time ago, the prime minister disclosed that, until she was 18 years old, she had not thought of marrying because she felt that, since her country was not free, she should give all her energies to its freedom struggle. At 18, however, she changed her mind a little, "not because I wanted a husband but because I wanted to have children." Mrs Gandhi disclosed further that if she had had her way, she would have had eleven children, but her husband desired no more than two. Analysing her yearning to raise a large family, Mrs Gandhi explained that she was infuriated by the medical advice she got from the doctors (who had attended on her when she was "very ill in my adolescence") that having children might be fatal to her. "Had they not said this", she declared, "I might not have married."

Historians have taken pleasure in speculating on what turn history, or at least Roman (or Egyptian) history, might have taken had Cleopatra's nose been a little shorter. It is therefore entirely permissible to speculate on what course Indian history might have followed had Mrs Gandhi been allowed to have her say and become the mother of eleven children. The possibilities are not only intriguing but are at least as numerous as that 'might have been' household itself. I would therefore need some time to sort out the notions that come crowding on me. Meanwhile, to return to where I started from, a woman who intensely desires to have eleven children, but was allowed to bear only two, cannot, in fairness, be expected to enthuse over the message of the red triangle, "Hum Do, Hamare Do".

Which is a pity. For not only is the government of India spending large amounts of the tax-payers' money on family planning programmes but, what is more important, it is very much in the national interest that while no couple should even be thinking in terms of eleven children or anything like that, more and more couples should have no more than two each. There is a widespread feeling in the country that the family planning campaign is losing momentum and that even the ground so painfully gained in past years is now being steadily lost. Mrs Gandhi's selection of a succession of ministers for this portfolio has done nothing to discourage the view that her government's heart is not really in the population control campaign. Mr K. K. Shah was followed by Mr Uma Shankar Dikshit, who has been succeeded by Mr R. K. Khadilkar. It is difficult to visualize squarer pegs in round holes than these men picked by Mrs Gandhi as successive ministers of Health with responsibility for the family planning programme.

For a short while only, when Dr S. Chandrasekhar was minister of state for Family Planning, there was some life in this campaign. This was in spite of the fact that Dr Chandrasekhar was far from being an ideal minister. As an administrator he was an amateur and this was certainly a serious drawback. But this man at least had enthusiasm and, along with enthusiasm, ideas. Above all, he had only this one iron in the fire, which is something that could not have been said of Mr K. K. Shah or Mr Uma Shankar Dikshit and which cannot be claimed for Mr Khadilkar. I do hope that the prime minister will get over her traumatic responses or reactions to family limitation and make sure that the population control programmes are not further enfeebled by continuing ministerial indifference or inertia. It is said indeed that, for quite some time now, the family planning campaign has had to make do without effective policy or administrative direction at the top.

The Times of India's resident humorist recently had a go at Mr M. G. Ramachandran, the ADMK leader, for suggesting that a referendum on prohibition should be held among the country's women since they were being put to untold miseries by the lifting of the dry law. As an essay in the lighter vein, the leaderette which appeared in the issue of that paper of June 9 was about as amusing as a hippo would be were it to take it into its head to imitate Fred Astaire or Ginger Rogers and for much the same reasons. For instance, Mr Ramachandran has been charged with implying "that the job of protecting the womenfolk is not that of their husbands and fathers but that of the government" and we are expected to agree that this is outrageously silly on his part. A more idiotic *non sequitur* it must be difficult to perpetrate.

This is not to say, however, that limitless idiocy cannot display itself in other ways. For instance, the idea of a referendum among women on prohibition is sneeringly compared to the notion of the non-tax-paying millions being asked to vote on the burden of income-tax or the Gonds being asked to pronounce a verdict on the merger of Goa. Finally, the analogy of the SPCA holding a referendum among goats on the issue of saving the tiger has also been laboriously brought in. Analogies are notoriously tricky stuff. Is it implied that women are goats and drink is a tiger? If so, has not *The Times of India* conceded Mr Ramachandran's point that drink plays hell with family life? What has the sheep to say?

Recently, when I was in Hyderabad, I learnt that there was an official ban on the serving of *chapati*, *puri* or other wheat preparations as part of the meals provided at hotels and restaurants. The reason of course was that wheat was in short supply in the country. I cannot help reminding my readers that there was a time—and that too in the not too distant past—when every other politician, particularly from the north, could not condemn people in the south enough for their addiction to an exclusively rice diet. It was then being said that patriotism, let alone nutrition, demanded of south Indians that they should substitute wheat for some of the rice in their diet since the country could expand wheat production more easily than the output of rice.

Incidentally, what would the prime minister or her minister for Food and Agriculture be telling the cows and the buffaloes? With *guar* selling at Rs 160 per quintal and the government determined not to pay more than Rs 86 per quintal to wheat growers, would it not be logical to advise cattle to change their food habits and eat wheat from the ration shops instead of *guar* from the open market?

VB

TRADE WINDS

Rise in Petroleum Prices

THE PRICES of all petroleum products, except kerosene, went up following the decision of the union cabinet on June 73. The increase will range between one paisa a litre to three paise a litre. Bitumen, naphtha and cooking gas are among the products which are affected. The cabinet considered the situation arising out of hardening of prices in the world market and the rising foreign exchange cost for importing crude from west Asia. It came to the conclusion that the increase would cut down consumption of petroleum items and thus reduce the foreign exchange expenditure. The government, however, has not fully neutralised the increase in the cost of crude in fixing the prices of petroleum products. Latest reports from West Asia show that crude prices have actually gone up to $2.23 per barrel. The government has neutralised upto $1.88 per barrel. Kerosene has been deliberately left out because it is used by the poor man in the villages and small towns. Under the Shantilal Shah committee's recommendation, for every ten-cent increase in the per barrel price of crude, the weighted increase in the product prices should be of the order of four per cent. The government has followed this formula in revising the prices.

Import of Raw Materials

In order to provide flexibility to actual users in the 'priority' industries, to enable them to increase production and to avoid any hold up in their production programme owing to sudden and unanticipated shortages of raw material or components which are normally available indigenously, it has been decided that all actual users in the priority industries would be permitted the facility to import limited quantities of any item of raw material or components required for production in their factory subject to certain limits, conditions and exceptions. Actual users in 'priority' industries would be permitted to import against their AU licences any item of raw material and component even though the items, in question are not normally permissible for import in terms of the policy for April 1973-March 1974. Upto five per cent of the face value of their import licences for raw materials and components issued for the period April 1973-March 1974, provided (i) the items to be imported shall be such as would be required by actual users for production within their factory and used for such production; (ii) the items to be imported shall be restricted to raw materials and components required by the unit for production of the end products for which the AU import licence was granted: (iii) this facility to import any item required for production would not be available for the import of drugs, dyes and intermediates thereof, plastic raw materials, and chemical items which are otherwise banned/restricted in terms of the policy indicated in the Import Trade Control Policy for April 1973-March 1974; (iv) in the case of 'tool and alloy' steel the facility would be restricted to 2 per cent of the value of the import entitlement of the actual user; (i) no single item imported under this facility will exceed the value of Rs 50,000 without the prior permission of DGTD ; (vi) the shipment of goods shall be allowed only within the validity period of the licence and imports will be made within the overall value of the licence; (vii) it will not be necessary for the licence holder to obtain any endorsement on the licence from the licensing authority for availing of this facility except in cases where the ceiling is exceeded. Where items are canalised for import, the parties will have to specifically apply for inclusion of such items to the licensing authorities concerned in the value of the release orders issued, upto the ceiling prescribed.

Import Policy

It has been decided to extend the validity of unutilised and partially utilised licences for import of dry fruits from Iran, up to October 31, 1973. The decision has been taken on the basis of review of the position of utilisation. The original licences issued for import of dry fruits from Iran were valid for a period of six months from the date of issue. The licences were issued between April-December, 1972.

It has been decided to remove the item 'wool tops' from the list of permissible imports under the import policy for registered exporters. The import of wool tops was permitted against various export products in the Import Trade Control Policy announced in April, 1973. The decision to delete this item from the list has been taken on a review of the position.

Deficit Financing

The union government's deficit financing reached a level of over Rs 850 crores in 1972-73, it is learnt. This is Rs 300 crores more than the revised deficit estimate of Rs 550 crores for 1972-73 made in the union budget for 1973-74. The record deficit last year followed the heavy deficit of Rs 710 crores in 1971-72 which itself was the highest in 15 years. The Governor of the Reserve Bank, Mr S. Jagannathan, had recently called attention to the need for greater control over public expenditure when RBI raised the Bank Rate from six to seven per cent. The Finance minister also sent a communication to all ministries asking them to review their programmes to effect economies and ensure priority for only on-going schemes which would yield quick results.

The big leap in deficit financing in 1972-73is attributed to some unanticipated decline in revenue receipts, particularly excise and certain liabilities including food imports not taken into account earlier. Despite the massive resources mobilisation through fresh taxation and large market borrowings during 1972-73, the originally budgeted deficit of Rs 251 crores rose to Rs 550 crores in the revised estimate and has finally moved up to about Rs 880 crores. By the middle of May 1973, the increase in money supply with the public was 16 per cent higher than the previous year's level. The current year's budget has assumed a modest deficit of Rs 85 crores but there are many imponderable factors which might upset the calculations, apart from the Third Pay Commission's recommendations which would involve an immediate expenditure of Rs 145 crores.

Minimum Bonus

The Labour ministry has directed employers to pay their employees' bonus at a rate not less than 8.33 per cent for the accounting year commencing on any day in 1972. Copies of a formal communication to this effect, have been sent to the Employers' Federation of India, All-India Organisation of Employers and All-India Manufacturers' Organisation. The need for a fresh order on the minimum bonus arose because last year when the payment of Bonus Act was amended enhancing bonus from four per cent to 8.33 per cent it was to be valid for the accounting year 1971. According to the government, the amendment was made valid for one year only because it pre-

erred to await the final report of the Bonus Review Committee. The amendment had been made on the basis of the interim recommendation of the committee. The submission of the final report has however been delayed beyond government's expectation and meanwhile bonus payment for the accounting year commencing on any day in 1972 has become due in many cases.

FICCI on Bank Rates

The increase in Bank Rate to seven per cent and allied credit controls announced by the Reserve Bank on May 30 will increase inflation instead of curbing it, accord ing to the Federation of Indian Chambers of Commerce and industry. The Federation pointed out in a statement that practically the entire increase in money supply last year was on government account. Of the annual increase of over Rs 1400 crores for the week ending May 4, only Rs 135 crores related to the commercial sector and the rest to the government. As long as the government draws funds from commercial banks, "increases in banks rate are not likely to serve the ends of reducing inflationary pressure. The increased Bank Rate will have the effect of increasing inflationary tendencies to the extent that costs will correspondingly rise,"

Dollar and Gold

The US dollar fell to an all-time low against the West German mark and Swiss franc recently. The US currency also lost more ground on other key European foreign exchange markets. In Frankfurt, dollar fell of a new all-time low against the mark when it was quoted on the foreign exchange market at 2.5750 marks on June 5. In London the dollar lost half a cent against sterling in early trading and was being quoted at 2.5900 to a pound. On June 5. The price of gold leapt to a new high of $127 an ounce in London on June 5. Gold prices have risen by nearly 25 per cent in the last three weeks. In Zurich at one point gold had touched $130 an ounce.

Consortium Aid

This country is hopeful of of getting $ 1,200 million from the Aid India Consortium during the current financial year as reportedly recommended by the World Bank. An official delegation, headed by Mr M. G. Kaul, Secretary, Department of Economic Affairs left for Paris recently to attend the Consortium meeting on June 14 and 15. The other members are Dr Manmohan Singh, Chief Economic Adviser and Mr M. R. Shroff, Joint Secretary in the Department of Economic Affairs. Although India has not directly asked the United States for resumption of aid, which was suspended during the last Indo-Pakistan war, official sources expect that country to make a larger countribution to the Consortium pool than it did last year. If the Consortium accepts the recommendations of the World Bank, this country should get $ 700 million as non-project aid including debt relief and $ 500 million as project aid. The debt relief recommended by the World Bank expert, Dr Phillips Coombs, for the last two years was $ 200 million annually and that granted by the Consortium $ 161 million last year. There are indications that the debt relief this year may amount to $ 170 million.

IDA Loan

The International Development Association (IDA), the soft loan affiliate of the World Bank, announced a loan of $ 100 million to this country for import of industrial raw materials, components and spares for medium and large-scale enterprises in selected priority industries. The credit will meet about one-third of the foreign exchange requirements of about $ 295 million during the current financial year. The industries which can utilise the loan are commercial vehicles, tractors and power tillers, fertilisers, pesticides, machine tools, automobile ancillaries and ball and and roller bearings. The requirements of motors, transformers, switchgear and magnetic steel stampings, aluminium smelting and heavy construction equipment and spares will also be financed out of the credit. The World Bank has sanctioned a loan of $ 70 million to the Industrial Credit and Invetment Corporation of India (ICICI) for providing medium and long terms finance to private industry. This brings the bank's total lending to ICICI to $ 335 million.

Reorganisation of MMTC

The organisational structure of Minerals and Metals Trading Corporation is being modified to a more compact officer-oriented pattern. This has been decided by the ministry of Commerce on the basis of recommendations of the Survey Team, constituted in July, 1972 to review the working of MMTC.

The survey was conducted by Mr K. T. Satarawala, who was assisted by Mr. B. D, Kumar, Joint Secretary in the ministry of Commerce. The main recommendations of the Survey Team have been accepted keeping in view the expanding role of public sector undertakings in India's trade. It has been decided to reorganise and strengthen the board of directors of MMTC. Introduction of mechanisation in regard to issue of sale notes has also been approved. The government has also decided to avail of the services of an outside consultant to examine the working of MMTC, as recommended in the survey. It has also been decided to constitute a body on the linces of a consultative committee, with which representative bodies of industries and trade will be associated. This institutional machinery should meet every quarter and help sort out the difficulties experienced by the industry and reflect their point of view. This has been considered necessary as a large number of raw materials needed by industries of various types are canalised through MMTC. It has also been decided that advisory service relating to data collection, economic and marketing research and methods study system should be organised MMTC should pay greater attention to research and development with a view to improving the unit value realisation and utilisation.

BOAC Reduces Cost

BOAC has the first indication of just how successful it wouled be in 1972-73. It carried a record total of 2,812, 223 passengers during the year, an increase of 670,820 over the previous year. Its total traffic, that is with cargo and mail as well, rose by 34.9 per cent. This more than offset extra capacity of 23.9 per cent and gave it an overall load factor better than last year by 5.1 valuable points to 52.9 per cent. An even more important fact is that the BOAC managed to reduce its rate of expenditure, measured in pence per capacity ton mile. It ended the year precisely on target at 8.4p, better than last year by 0.6p.

Fall in Freight Movement

Freight traffic carried by the Indian Railwa ys in April this year was 14.06 million tonnes, as against 14.27 million tonnes in April last year. The Railways had earlier planned to lift an additional one million tonnes of freight traffic in April, which has not been possible as a result of several adverse factors. The trend for May continues to be unsatisfactory for the same reasons. The performance in the first two months of the current financial year has bnee adversely affected because of extensive load shedding and frequent power tripping. This has resulted in the slowing down of movement on the electrified routes. The frequent power cuts have also been directly responsible for a drop in rail-borne traffic caused by the reduced production by coal washeries, minse, steel plants and cement factories, etc. The movement of ore for export had to be

regulated due to labour trouble in Madras port and also on account of heavy accumulation of ground stock at Goa and Karwar ports. Besides, frequent agitations by labour on the Railways have further aggravated the position. There were as many as three major agitations in April and May this year.

Aid for Ugandan Repatriates

The union government has decided to grant resettlement assistance to the repatriates from Uganda who propose to settle in non-agricultural occupations. The government will sanction business loans, housing loans, lumpsum resettlement assistance and other concessions such as stipends and book grants for their children. The scheme is to be extended to repatriates from Uganda who are Indian citizens and who are holding Indian passport and repatriated from Uganda to India after the promulgation of the decree issued by the President of Uganda on August 9, 1972.

About 10,000 repatriates from Uganda have, so far, arrived in India. Of them, over 5,000 are Indian passport holders, over 3,000 UK passport holders and about 800 to 900 Uganda passport holders and the rest are either of undetermined nationality who had been granted emergency certificates by Indian High Commission or are stateless persons.

In addition, a loan of Rs 500 in urban areas and Rs 200 in rural areas for the construction of business premises shall be given, wherever admissible. Lumpsum settlement assistance will be given at Rs 30 per mensem per family member for a period of three months subject to a maximum of Rs 450 in all, per family.

The concessions about business and housing will be given to only those repatriates who have brought assets with them of value not exceeding Rs 10,000 while the concession about lumpsum assistance is restricted to those who have brought asssts of value not exceeding Rs 2,000.

Besides these concessions, other ancillary benefits in the form of grant of priority in registration at the employment exchanges, age relaxation for appointment in government service, stipends and book grants for education in schools, colleges ITIs etc. will also be given to the repatriates. The eligible repatriates will get this assistance through state governments and union territory where they are at present staying.

About 5,000 of these repatriates have gone to the state of Gujarat; about 2,000 to Maharashtra and about 800 each to Punjab and Goa. The remaining about 1,200 have gone to various other states in the country.

So far the government of India have spent Rs 3 lakhs on immediate relief assistance which was given to the repatriates after their arrival in India.

Readers' Roundtable

Interest under the Income-tax Act, 1961

It is provided in Section 244 of the Income-tax Act, 1961 that if refund of an amount becomes due to an assessee as a result of any order passed in appeal of other procedings under this Act and the refund is not granted by the Income-tax officer within three months from the last date of the month in which such order is passed, then the interest is payable to the assessee on the refundable amount at the prescribed rate which at present is 12 per cent per annum from the date immediately following the expiry of the period of three months as aforesaid to the date on which refund is granted. By provisions of this sectior, the assessee is not entitled to any interest from the date of original assessment till the expiry of three months from the last date of the month in which the order entitling the refund is passed. Particularly when a big amount in dispute is involved, it becomes very difficult for the assessee to make the payment of the disputed demand and no interest paid to the assessee on that amount.

Therefore, this matter should be considered by the appropriate government authorities, such as Central Board of Direct Taxes, ministry of Finance, ministry of Law etc to amend the Income-tax Act suitably, so that the assessee is entitled to interest on disputed amount of income-tax which was paid by him and subsequently set aside, from the date of original assessment order. If the interst is not allowed, then the assessee is denied natural justice, because the money which was not payable to the department, the assesse was forced to pay.

It may be suggested here that Income-tax Act, 1961 should be amended suitably so as to incorporate that disputed amount of tax should not be realised from the assessee, but realisation should be kept in abeyance till the final disposal of the matter. In case ultimately it is decided that disputed amount is payable by the assessee either in full or in part, than in that case the assessee will pay the said amount with applicable rate of interest from the date of original order till the date of payment. Alternatively the government may demand suitable security or bank guarantee etc, for the disputed tax which will save the assessee from the hardship to some extent and the security of bank guarantee should be released after the final decision of the case.

Further it is provided in Section 214 of the Income-tax Act, 1961 that central government shall pay simple interest at the rate of 12 per cent per annum on the amount by which the aggregate sum of any instalments of advance tax paid during any financial year in which they are payable under section 207 to 213 exceeds the amount of the tax determined on regular assessment, from April 1 next following the said financial year to the date of the regular assessment for the assessment year immediately following the said financial year, and where any such instalment is paid after the expiry of the financial year during which it is payable by reason of the provision of section 213, interest aforesaid shall also be payable on that instalment from the date of its payment to the date of regular assessment. According to this section central government allows the interest on excess payment of advance tax and that interest is treated as an income of the assessee and tax is charged on that. Similarly the assessee has to pay the interest also under section 215, 216 and 139 etc, but that interest is not allowed as a deduction from the income of the assessee.

Therefore, government should consider that interest payable to the assessee under section 214 of Income-tax Act, 1961 and receivable from assessee under various sections be treated on equal footing ie. if the interest income under section 214 is taxed then interest paid to the department should also be allowed as a vaild deduction while determining his taxable income.

By giving small reliefs of the afroesaid nature, the tax authorities can gain the tax payer's confidence and the much publicized maxim "We trust you, you trust us" can be meaningful. Faith is a big panacea for all the ills. It is only by fostering confidence in the tax paying world that the government can get the maximum revenue.

New Delhi. Yours etc.,

V. N. Poddar

COMPANY AFFAIRS

Goodyear

SINCE THE opening of its first sales office in 1922 Goodyear India Ltd, has grown by leaps and bounds and it has at present three giant manufacturing plants at Ballabgarh and 17 distribution points spread throughout the country. The company, thus, has completed successfully 50 years of its operations in India and this happy occasion was celebrated on a grand scale in 1972. The company has maintained its accelerated progress during 1972 as well. The production capacity at Ballabgarh was substantially increased late in 1971 with commissioning of two new plants for production of automotive and bicycle tyres and tubes. Sales also rose to the record level of Rs 39.53 crores in 1972, thereby surpassing its previous year's figure by as much as Rs 11.47 crores. Profit before provision for development rebate too more than doubled to Rs 2.03 crores from Rs 0.91 crores in 1971. These results look all the more impressive when viewed against the background of acute power shortages which averaged 50 per cent and at times caused complete closure of the factories and prevented production at optimum levels during the last five months. During the periods of severe power restrictions, the company diverted available power to production of automotive tyres in view of export commitments and shortages of certain sizes in the domestic market. The company's application for the issue of bonus and right shares, submitted in September last, is still pending with the government. The company's encouraging performance has enabled the directors to declare a higher dividend of 20 per cent as against 17.5 per cent paid for 1971.

Out of the profit the directors have appropriated a sum of Rs 154.79 lakhs to depreciation as against Rs 75.39 lakhs in 1971 while the allocation to development rebate reserve was stepped up from Rs 99.30 lakhs to Rs 119.90 lakhs. Allowable investment incentives offset the income-tax chargeable against 1972 profits and therefore no provision for income-tax was necessary. The net profit thus works out to Rs 83.15 lakhs as compared to a deficit of Rs 8.25 lakhs incurred in 1971. The recommended dividend will absorb Rs 50.77 lakhs and will be paid out of the general reserve.

National and Grindlays

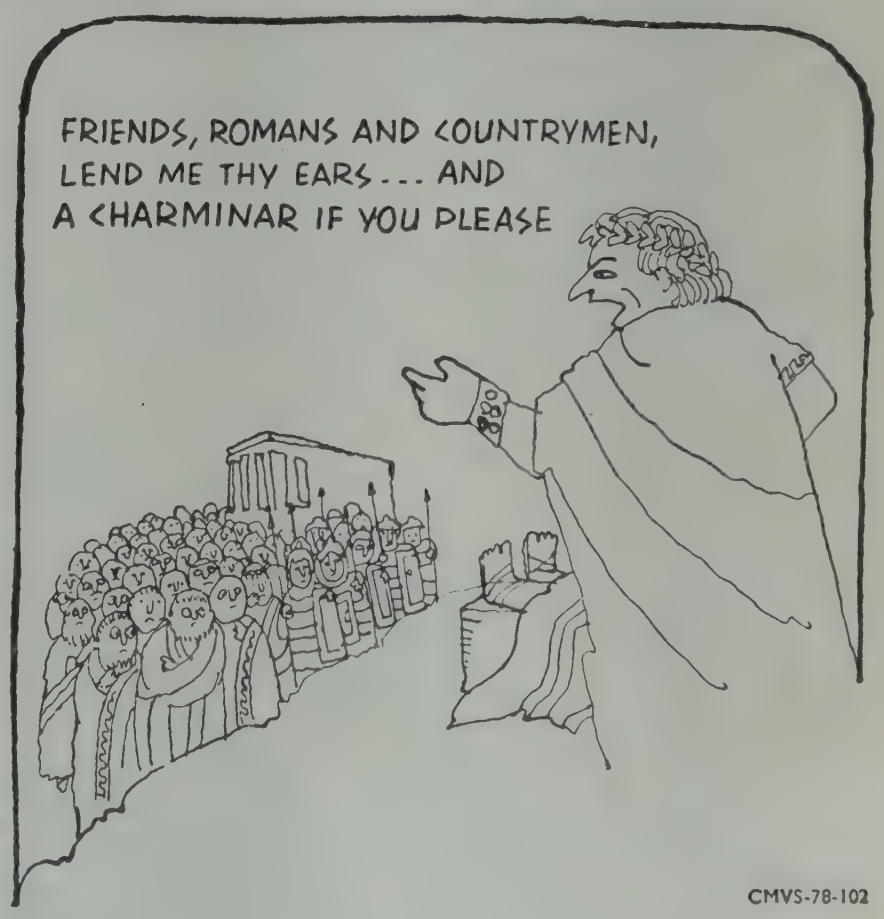
The year 1972 was yet another successful year for National and Grindlays Bank Group. The Bank ended 1972 with a broader and better organised base for future operations and with a management team whose ability and organisation has now been proved well beyond doubt. During the year the Bank's deposits recorded a sharp rise from £ 849.7 million in 1971 to £ 1021.7 million in 1972 while advances registered an increase to £ 554.7 million a gain of more than £ 100 million over the preceding year. The profit after tax and all ordinary deductions was higher at £ 5.069 million as against £ 4.161 million in 1971. The 1972 profit had given a return on shareholders funds of 11.5 per cent as compared to 10.8 per cent in 1971 and 7.7 per cent in 1970. A significant event of 1972 was the increase in the Group's capital as a result of a very successful issue of Eurodollar bonds at the end of the year.

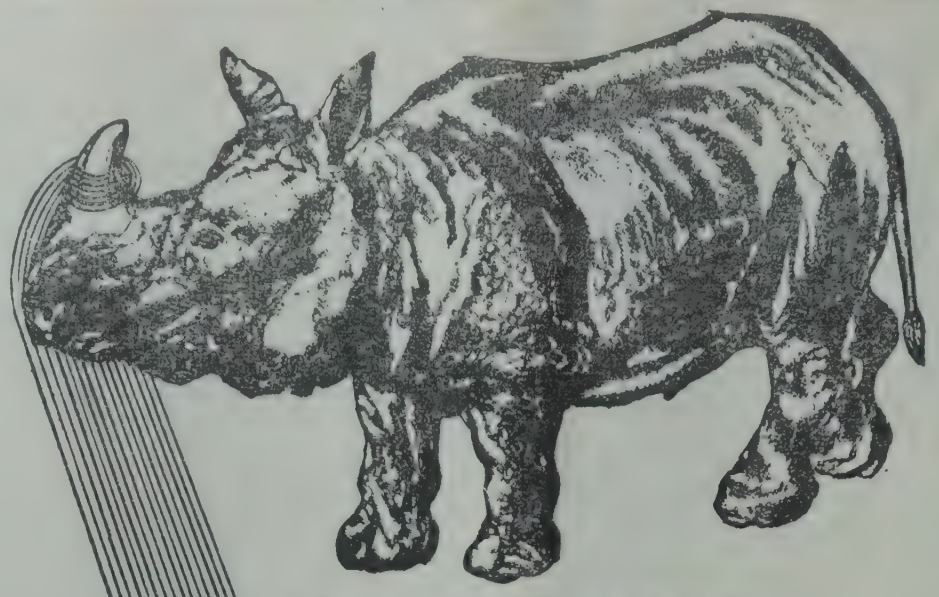
The Bank's business in India continued to expand and improve in efficiency. The Merchant Banking Division had a distinguished success over the Mangalore Chemicals issue. The Bank too had been able to increase its foreign currency lending to India on commercial terms.

Despite the problem areas of 1972 the Bank is better placed now than ever before to take the opportunities that the developing and developed countries present to international banks. In commercial banking operations the bank had worked out in London and spread to its overseas network "management by objectives" which is applied to middle and lower management as much as to top management in countries, regions and branches. All this releases well-trained bankers for developing business for better marketing and for better credit supervision. In fact the key to the future strength of the Bank lies in the calibre of men and women the Bank is able to attract to its service year after year. The bank intends to have among its International Banking Staff Europeans and nationals of other countries as well as British.

Sandvik Asia

The directors of Sandvik Asia Ltd. have proposed a higher equity dividend of 18 per cent for 1972 as against 15 per cent paid for 1971. The company's application for issue of bonus shares by capitalisation of reserves of Rs 22 lakhs in the ratio of one share for every five shares held is still pending with the government. The application was made as far back as in May 1971. Likewise in spite of the best efforts made by the company its proposal for substan-





CAR AND TRUCK TYRES ARE TOUGH...

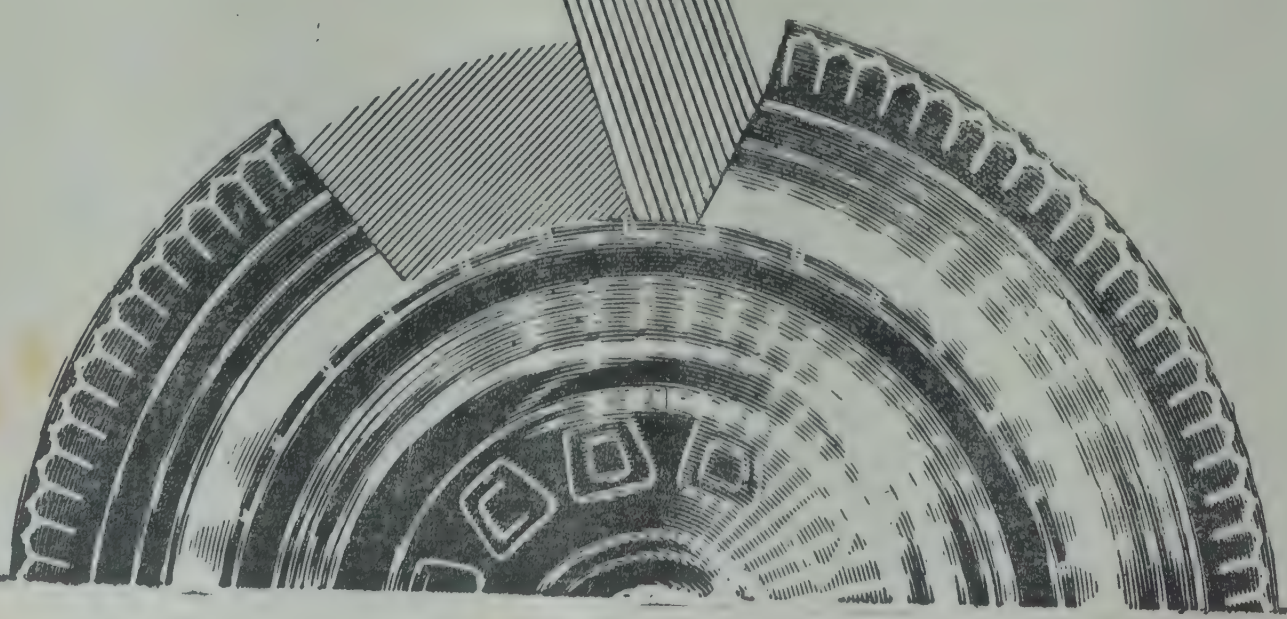
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tial expansion from 84 tonnes of tungsten carbide products to 150 tonnes is still awaiting approval. Pending clearance for expansion the company has taken certain steps to implement its modernisation and replacement programme concerning vital equipment at its factory.

The ICICI has agreed to advance to the company a loan in foreign exchange for the purpose of financing in import of special equipment. The old chemical plant and building built sometime in 1962 basically for a lower capacity than the present licensed capacity of 84 tonnes of sintered carbide have been replaced by a new plant and building to permit the processing of both scheelite and wolframite ores. The new plant was commissioned in May 1973. Since the company went into production, none of its products was subject to a levy of excise duty but with effect from March 1, 1973, tool tips of sintered carbide have been subjected to an excise duty of 20 per cent ad valorem. Such a steep levy will mean a further squeeze on the company's margins.

During 1972 turnover increased marginally to Rs 6.37 crores. The sales would have been higher had there not been shortages of critical raw materials and recessional conditions particularly in Europe. The gross profit increased considerably but the crushing tax burden brought down the disposable surplus to a little less than in 1971. During the year the company earned a substantially gross profit of Rs 17.69 million as compared to Rs 13.62 million in 1971.

Out of the gross profit a sum of Rs 2.53 million was appropriated to depreciation reserve as against Rs 2.67 million in the previous year while the allocation to development rebate reserve was stepped up from Rs 0.25 million to Rs 0.31 million. Taxation claimed Rs 9.80 million as compared to Rs. 6.50 million in the preceding year. This leaves a balance of Rs 5.05 million as against Rs 4.21 million in the earlier year. After adjustments the total surplus amounted to Rs 5.28 million as against Rs 5.79 million in 1971 and this has been transferred to the general reserve. The recommended dividend will absorb Rs 1.98 million.

Jagatjit Industries

Jagatjit Industries is expanding further its manufacturing activities. A letter of intent has been received by the company for the manufacture of a whole range of milk products at Bahadurgarh near Patiala. A new company styled Milk Food Ltd. has been incorporated to undertake the project estimated to cost Rs 110 lakhs.

The company also proposes to set up a project in Maharashtra for the manufacture of a whole range of products from soyabeans as also a comdosite milk plant for the manufacture of processed milk foods in Andhra Pradesh. The company has also promoted another concern known as 'Universal Glass Ltd., for the manufacture of glass bottles and jars at Sahibabad in Uttar Pradesh.

New Guidelines for Nominated Directors

Arising out of the Seminar on "Shareholders Democracy" organised by the National Forum of Shareholders, matter was taken up by the Forum with the ministry of Finance, Dept. of Banking, that the directors nominated by various financial institutions on the Board of Directors of borrowing companies should take active interest in the management and activities of those companies and should sign their balance sheets and profit & loss accounts and prospectuses so as to assume responsibility as directors of those companies. The said ministry has now notified to the Forum that "the matter was recently considered by all the financial institutions in connection with drafting of guidelines to nominee direc-

GOVERNMENT OF INDIA
Department of Supply
DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
(Registration Branch)
New Delhi

Procedure for Registration with the D. G. S. & D., New Delhi

Object of Registration :

The main object of registration of firms as approved suppliers is to facilitate the location of reliable sources of supplies as and when demands are received from the various Indenting Departments of the Government of India including Defence, Railways and Posts & Telegraphs. It also undertakes purchases on behalf of the State Governments and the expanding Public Sector Undertakings. Purchases embrace practically all types of stores excluding food-stuffs and livestock. The annual purchases made through D. G. S. & D, extend over quite a few hundred crores of rupees.

Benefits of Registration:

Firms registered with D.G.S. &D. enjoy the following benefits:—
(i) Demands which are not advertised are not from registered firms.
(ii) In case of advertised demands, copies of the notice are sent to registered firms, giving them advance information of the demands.
(iii) Rate Contracts and Running Contracts are normally reserved for registered firms.
(iv) Operational demands are normally reserved for supply by registered firms.
(v) Normally 80% of the quantity against Express and Urgent demands is reserved for supply by registered firms. Even ordinary demands are mostly covered from registered suppliers.
(vi) The State Governments and Public Undertakings may at their discretion waive the requirements of Security Deposit from firms registered with D. G. S. &. D.
(vii) Registration with D. G. S. &. D raises the firms' status in 'business, not only with Government Departments but also with foreign firms and establishments.

Application Form :

All firms in India and in foreign countries are eligible for registration. The application must be made to DGS &D, New Delhi, in the prescribed application form. Firms in USA, and Canada may purchase the form at $ 5 from India Supply Mission, Washington. Foreign firms in other countries are supplied forms free of cost by DGS &D, New Delhi. Indian firms may purchase application form from DGS &D, New Delhi or Director of Supplies & Disposals, Bombay/Calcutta Madras/Kanpur on payment of Re. 1/- either at the counter or by Money Order. Application for registration in the prescribed form should be submitted alongwith a Treasury Challan for Rs 10/- indicating the Revenue Head of Account "XX-Supplies & Disposals". Form of application for renewal of registration will be issued free of any initial charge on request. Application for renewal of registration should, however, be accompanied by a Treasury Challan for Rs 10/- as mentioned above. Application forms are issued free of cost for initial registration as well as for renewal to Small Scale/Cottage Industry Units on production of certificates by the firms from the State Director of Industries or the NSIC authorities to the effect that the Units are registered with them as bonafide Small Scale/Cottage Industry Units. Such Units are also not required to forward necessary Challans for Rs. 10/-.

Categories of Registration :

(1) Manufacturers.
(2) Sole Selling Agents/ Sole Distributors of Manufacturers registered.
(3) Stockists(a) of imported stores
(b) of indigenous stores such as Timber, Hides & Skins and Cotton Waste.
(4) (i) Foreign firms who are Manufacturers; and
(ii) Accredited Agents in India of foreign firms registered. It pay's to get registered as approved supplier with the Directorate General of Supplies and Disposals.

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tors. It has been agreed that a nominee director can sign the balance sheet of assisted concerns and subscribe to the directors' report. He can also sign the prospectus of the assisted company after consulting the institution and in case the institution or the nominee director become aware of any untrue or incorrect statement in the prospectus the director may in terms of Section 62 of the Companies Act withdraw his sanction in writing and give notice of such withdrawal. The need for more active interest by nominee directors in the affairs of the assisted companies has been recognised and the financial institutions have given suitable directions to their nominee directors."

News and Notes

(Expansion and diversification)

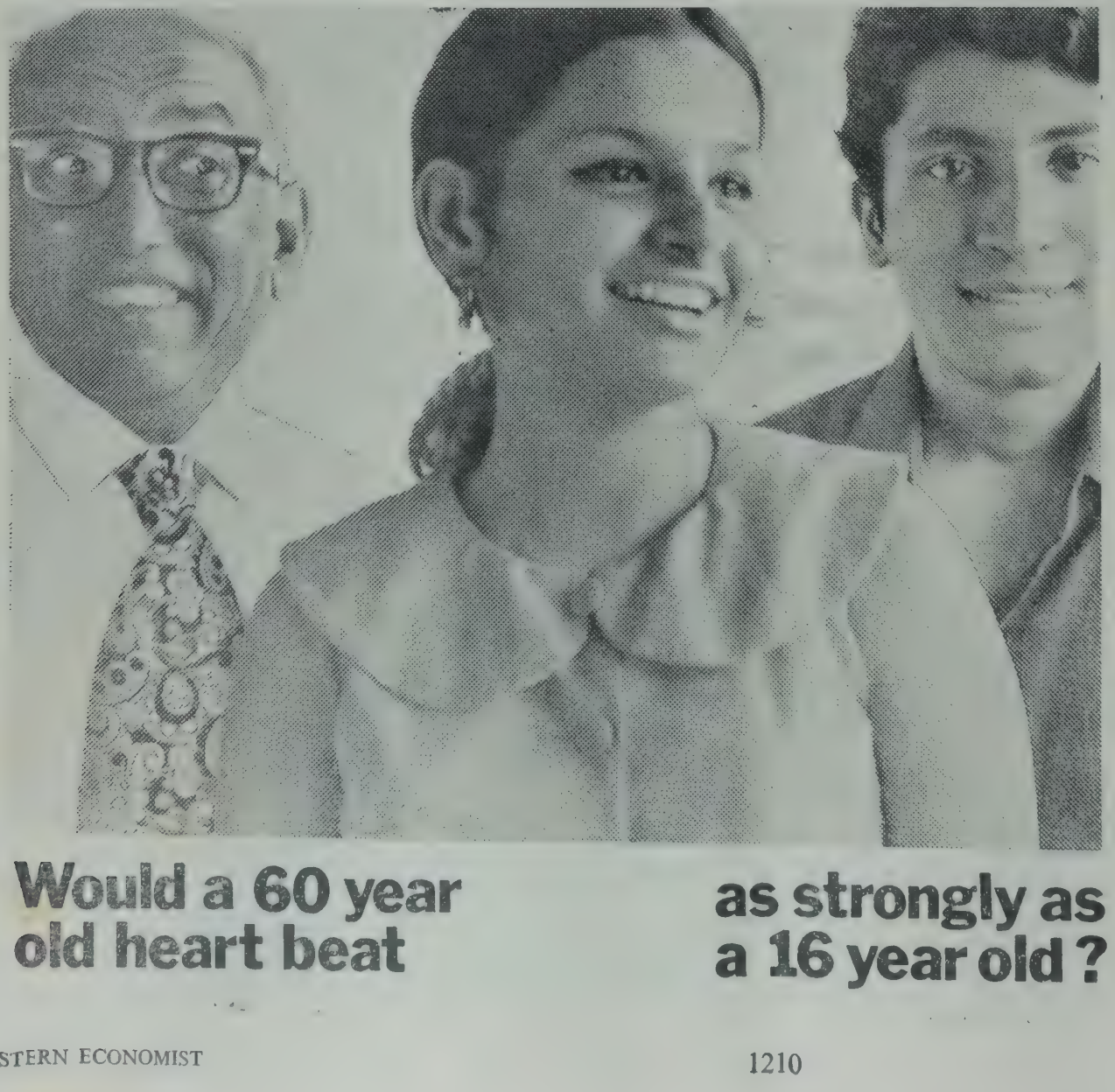
J. K. Synthetics Ltd has, embarked upon an abmitious programme of expansion and diversification. The programme includes the establishment of a machinery manufacturing unit and a cement project. The company has been granted a licence to manufacture nylon/polyester filament yarn up to 4,200 tonnes per annum. The synthetic staple fibre plant commenced commercial production during the year 1972. The government has permitted production of polyester staple fibre by way of diversification. After overcoming initial teething troubles, nylon tyre cord plant commenced commercial production during the later part of 1972. Almost all the tyre manufacturers in the country have approved of the quality of the tyre cord manufactured by the company. A proposal has been submitted to the government for increase in capacity from 1,000 tonnes to 1,600 tonnes per annum, which is under consideration. Substantial progress has been achieved in the cement project at Nimbahera in Rajasthan. 66 KV switching station for power supply and water pumping station have been completed. Barring unforeseen circumstances this unit is likely to go on stream in the first half of 1974. The civil construction work at the machinery manufacturing project is nearing completion and the plant is likely to commence production during the current year.

New Issues

Superior Air Products Ltd will be appoaching the market on June 20 offering for public subscription equity capital of Rs 22 lakhs in shares of Rs 10 each at par. Applications for shares must be for a minimum of 50 equity shares or multiples thereof. A sum of Rs 2.50 per share is payable along with the application and an equal amount on allotment. The balance will be payable in two equal calls at intervals of one month each. The subscription list will close on June 29 or earlier at the discretion of the directors of the company but not before June 23.

The company has an authorised capital of Rs 50 lakhs and an issued and subscribed capital of Rs 8 lakhs. The present issue is for Rs 27 lakhs, all in equity shares of Rs 10 each. Out of this, equity shares worth Rs five lakhs, have been reserved for directors, their friends and associates and the remaining equity shares of the value of Rs 22 lakhs are now being offered to the public for subscription. The public issue is fully underwritten.

The company is setting up a fully integrated plant in the fast developing industrial area of Faridabad. It has obtained recently an industrial licence for manufacturing 1.5 million cubic metres of oxygen, 100,000 cubic metres of dissolved acetylene gas, 50,000 cubic



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metres of nitrogen, 50,000 cubic metres of argon and 100 tons of nitrons oxide annually. The company will have the unique distinction of being the only manufacturer of nitrans oxide in the north India and will also have the proud privilege of being the third argon producing unit in the country. Further this ultra-modern and economically streamlined unit will be the largest of its kind in size in the whole of north India. The plant is being designed in such a way that there is considerable scope for expansion at minimum cost. Almost all the raw materials are readily available from indigenous sources. The entire machinery and cylinders will be obtained from reputed manufacturers in Italy, Germany and Japan. Working on the project is proceeding a pace and efforts are being made to start production as early as possible to take advantage of the grant of development rebate. According to current indications the plant is expected to commence commercial production by April next. The capital outlay on the project is estimated at Rs 95 lakhs. It will be financed by the share capital of Rs 35 lakhs and by deferred payments of Rs 28.50 lakhs while Rs 31.50 lakhs will be raised through long-term borrowings. As there is already a pent-up demand for the products which the company proposed to manufacture the company does not envisage any difficulty in selling its products. In fact the company will have to expand substantially its capacity to meet the accelerated demands from industry. The company, obviously, has excellent prospects and the directors are hopeful of declaring a maiden equity dividend of not less than 10 per cent from the second year of its operations. In the succeeding three years to the company will be earning handsome profits even after transferring sizeable amounts to general reserve which will enable the directors to step up and maintain the equity dividend at 15 per cent during these three years. Being a priority industry the company and its shareholders will be entitled to tax concessions prescribed under the Income-tax Act. Sales in the first year of its working is estimated at Rs 47.60 lakhs and it is expected to touch the peak level of Rs 80 lakhs in the fifth year of its operations. A similar rising trend is expected in gross profit, advancing rapidly from Rs 31.40 lakhs in the first year to Rs 53.80 lakhs in the fifth year. The percentage of turnover to capital employed will also rise spectacularly from 50.1 in the first year to 83.6 in the fifth year so also the percentage of gross profits to sales from 65.9 to 67.6. The company is managed by an excellent and dynamic board of directors headed by Mr Dharma Vira, ex-Governor of Punjab, West Bengal and Mysore.

The subscription list of **Bata India Ltd** opens on June 25. The company is offering for public subscription for cash 500,000 equity shares of Rs 10 each at a premium of Rs 20 per share. Besides Messrs. Leader A. G. have agreed to offer for sale to the Indian public out of their present holding 100,000 equity shares of Rs 10 each at a premium of Rs 20 per share. Applications must be for a minimum of 50 shares or multiples of fifty. A sum of Rs 15 per share—Rs 5 on capital account and Rs 10 on premium accouut—is payable on application and similar amount on allotment. The new equity shares and the equity shares offered for sale will rank pari-passu with the existing equity shares of the company and they will be participating with the dividends that will be declared for the year ending December 31, 1973. The subscription for this fully underwritten issue will close on July 4 or earlier at the discretion of the directors of the company but not before June 27.

From the indications available at present the profits for the current year, despite problems relating to power shortage and increasing costs, are expected to be satisfactory. In terms of the letter of the government of India consenting to the present issue, the company is required to pay dividend of at least 22.5 per cent of the face value of the shares in respect of the year ending December 31, 1973, which will be the first dividend due on the new equity shares now being issued as well as the existing equity shares offered for sale. Barring unforeseen circumstances the directors are confident that the company will be earning sufficient profits to declare a satisfactory dividend for future year also. The company since its inception has maintained a high standard and good service so much so Bata has become a household word in India, synonymous with long-wearing attractive footwear available at reasonable price. With the rising standard of living the demand for footwear is increasing rapidly from year to year. The company is making every effort to meet some of this increased demand both in the domestic and overseas markets. The object of the present issue is to implement the scheme approved by the Controller of Capital issues for Indian participation in the share capital of the company. After the present issue the Indian participation in share capital will be of the order of 33.33 per cent. The proceeds of the issue will also be utilised in augmenting the resources of the company.

Capital and Bonus Issues

Consent has been accorded to 10 companies to raise capital amounting to over Rs 2.86 crores. Following are the details.

Vidarbha Iron and Steel Corporation, Bombay: The company has communicated to the government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 50 lakhs (including Rs 3,500 already subscribed) in five-lakh equity shares of Rs 10 each, for cash at par. Shares worth Rs 30 lakhs will be offered to the public for subscription through a prospectus for financing

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Star Textiles Engineering Works	December 31, 1972	10.0	8.0
Travancore Rubber	December 31, 1972	6.0	Nil
Sardesai Brothers	December 31, 1972	12.0	10.0
Simon-Carves India	December 31, 1972	17.5	15.0
Same Dividend			
Woolcombers of India	December 31, 1972	12.0	12.0
Tide Water Oil Co.	October 31, 1972	10.0	10.0
Raipur Manufacturing Co.	December 31, 1972	18.0	18.0
Reckitt & Colman of India	October 31, 1972	11.0	11.0
Mysore Cements	June 30, 1972	12.5	12.5
Bombay Oxygen	December 31, 1972	12.0	12.0
Elecon Engineering	December 31, 1972	10.0	10.0
Hyderabad Asbestos Cement Products	December 31, 1972	10.0	10.0
Alembic Chemicals	December 31, 1972	12.0	12.0
Reduced Dividend			
Metal Box Company of India	March 31, 1973	6.0	9.0

installation ofmini-steel plant of the company at Nagpur.

German Remedies, Bombay : The company has been granted consent, valid till September 30, for issue of right shares to Indians only worth Rs 33 lakhs at a premium of Rs 3 on a share of Rs 10.

Shakthi Sugars Coimbatore: The company has been accorded consent, valid for three months to capitalise Rs 38.40 lakhs out of the general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

West Coast Paper Mills, Bombay: The company has been accorded consent to issue further capital of Rs 60 lakhs in equity shares of Rs 100 each as rights shares to the existing equity shareholders at a premium of Rs 35 per share. The proceeds will be utilised for financing a part of the cost of expansion of the company. The consent order is valid for 12 months only.

Hindustan Malleables and Forging, Bihar: The company has been granted consent, valid for three months, for the issue of bonus shares worth Rs 20.02 lakhs.

Bengal and Assam Investigators, Calcutta: The company has been granted consent, valid for three months, for the issue of bonus shares worth Rs 4.88 lakhs.

Sakthi Pipes, Madras: The company nas been accorded consent for the issue of further capital of Rs 25 lakhs in equity shares of Rs 100 each, for cash at par, privately to the promotors, directors etc.

The proceeds will be utilised for meeting the company's requirement for woking capital, earlier commitments and additions to equipment. The consent order is valid for 12 months only.

Handymen Industries, Madras: The company has been granted consent, valid for three months, for the issue of bonus shares worth Rs one lakh only.

Shalimar Wire and Industries, Calcutta: The company has been accorded consent, valid for three months, to capitalise Rs 15 lakh out of the general reserve and issue fully paid equity shares of Rs 10 each in the ratio of one bonus share for every two equity shares held.

Blow Plast, Bombay: The company has been accorded consent, valid for 12 months, for the issue of equity shares worth Rs 24 lakhs and preference shares of Rs 15 lakhs. The proceeds of the issue are to be utilised for the purpose of converting the company into a public limited one and to have the shares listed on the stock exchange.

Company Meetings

Sandvik Asia Ltd: Registered Office, Bombay Poona Road, Poona; June 27; 9-30 A.M.

Steel Containers Ltd Registered Office, 21, Netaji Subhas Road, Calcutta; June 29; 3-30 P.M.

The Svadeshi Mills Company Ltd: Registered Office, Bombay House, 24, Homi Mody Street, Fort, Bombay 400001, June 25, 4.00 P.M.

Godfrey Phillips India Ltd: M. C. Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20, Kaikhushru Dubash Marg (Rampart Raw) Bombay—1; June 27; 4 P.M.

COMPANY MEETING

WIDIA (INDIA) LIMITED

Regd. Office : 8/9th Mile Tumkur Road, Bangalore 560022

Speech of the Chairman, Mr. T.S. Krishna.

Following is the speech delivered by Mr. T.S Krishna, Chairman, at the 8th Annual Genera Meeting of the shareholders held at the Registered Office on 9th June 1973 :

Gentlemen,

I have great pleasure in welcoming you all to the Eighth Annual General Meeting of the Company. Directors' Report and the audited accounts for the year ended 31st December 1972, are already with you. It will be found from the published accounts that there is only a very slight improvement in the profit i.e. about 5%, whereas, the net sales increased by 11%. The percentage of net profit on net sales is lower at 22% in 1972 compared to 23.2% in 1971. The profit for the year was affected among other things by the increased depreciation charge, increase in salaries and wages and increased exports. However, the general tempo of progress has been kept up and it has enabled your Directors to recommend a tax-free dividend of 1[illegible]%.

Our efforts to promote sales in overseas markets have started yielding good results and the export performance during the year bears testimony to this. As on 30th April 1973, the amount of export contracts pending, was of the value of Rs. 21 lacs. The general trend in the Indian Market is also encouraging so far.

Due to the failure of monsoon in Mysore State, power cut to the extent of 25% was imposed by the Government with effect from 1st October 1972. However, the power cut did not affect our progress much in the year 1972 due to our making alternate arrangements and rationalising our production. But the continued shortage of power in the country is likely to impede our progress in future, especially in t context of our expansion, affecting our production a also the production of the co suming industries using o products. It is hoped th monsoon will not fail on again and the power positi would improve.

With effect from 1st Mar 1973, excise duty has been i posed on our products at t rate of 20% ad-valorem. T introduction of excise duty h not substantially affected o sales efforts so far and with t co-operation of our valued cu tomers, we hope to equal if n better our sales during the cu rent year compared to last yea

The position regarding t import of raw-materia through the Government Age cies has not significantly i proved since I reported to y last year. However, by advan planning we are trying to mi mise the effect of delays import of raw materials.

We thank our Collaborato Associates M/s Fried Kru GmbH, WIDIA-Fabrik, Esse West Germany, for the unsti ted support they have given and continue to give us in o operations.

In conclusion, I on your b half and mine, express de appreciation and sincere than to my colleagues on the Boa and all the staff and workers f their co-operation and ha work they have put in. I a sure that their continued c operation and effort will available to achieve better sults in the years to come.

Note : This speech does n purport to be a record of t proceedings of the Annu General Meeting.

RECORDS AND STATISTICS

Business conditions: a survey

THE TENTH survey of business trends undertaken in April 1973 by the Indian Engineering Association covering 101 companies of varying sizes representing different sectors in the engineering industry, coveys the industry's experience during October 1972—March 1973 and the prospects for April-September 1973. The findings show that the outlook was generally not very optimistic on several counts. The highlights of the latest survey are:

1. The engineering industry appears to be somewhat less optimistic regarding the prevailing business condition than it was for previous six months. As against 38 per cent of the respondents who had expressed such optimism in the last survey, there are 35 per cent in the present one.

2. Industrialists do not, however, appear to be reluctant towards making more of capital investments. In the present survey their future investment plans have been found to be rather encouraging. In the earlier survey 55 per cent had indicated that they would authorise more capital expenditure during the year following the survey while in the present survey 69 per cent have expressed such intentions.

3. This is also substantiated by the fact that during the last 12 months, 34 per cent of the respondents obtained industrial licences for expansion to their plant capacity or for setting up of new plants and another 24 per cent for taking up new lines of manufacture. Many others have applications for licences pending with government.

4. The problem of unutilised capacity continues unabated. As against 66 per cent of the respondents who had reported working below a satisfactory rate of operations, their share is found to be 75 per cent in the latest survey.

5. While value of orders and total output are expected to rise in the next six months, a majority of the respondents (85 per cent) still fear that possibly because of sizeable inventories all around, the cost per unit of output can show an upward trend.

6. The principal factors which have been responsible for limiting engineering output in recent months are inadequate supplies of materials and components (28 per cent); power shortages (28 per cent); and low level orders (12 per cent). As was experienced in the previous survey, shortages in supplies of steel also came here as principal restraining factor — indicated by 47 per cent of the respondents. Shortages in bought-out-components, presumably made of steel, were also responsible for a fall in productivity.

7. The financial difficulties which proved an impediment to raising output were largely caused among others, by inventory of materials (23 per cent); credit given to customers (17 per cent); increase in work-in-process (16 per cent) and staggering of deliveries as instructed by customers (10 per cent).

8. 31 per cent of the respondents reported having experienced difficulty in obtaining term finance because of past losses and 28 per cent had difficulty in getting their limits with banks revised.

Exports

1. Export prospects for the period April 1973—March 1974 are not expected to improve appreciably. A majority of the respondents (indicated by 44 per cent) expect these to remain in at the same level as in the past six months. Also the average prices at which export orders are booked are unlikely to change.

2. An interesting feature revealed by the survey is that there has been some increase in the volume of new export orders received in recent months. During October 1972—March 1973, 34 per cent of the respondents had expected to receive new orders while it was observed that 46 per cent had received such orders now.

In October 1968, the Associatino initiated a scheme to carry out regular surveys of trends in the engineering industry. Since this is essentially a opinion survey aimed at assessing the direction of the recent and future trends, rather than to ascertain in quantitative terms the performance of the industry, the questionnaire is designed to elicit qualitative replies.

In the summarising process, views expressed by individual repondents are weighted according to the size (employment and capital) of the companies, and the percentage distribution of the bread industry-wise aggregates so obtained are further weighted to obtain the overall industry-averages. The weights are as used by the Central Statistical Organisation in compiling the Index Numbers of Industrial Production, based on the contributions of different industry-groups to the manufacturing activity of the country.

The tenth survey in the series, covering the experience of 101 engineering firms during the period October 1972-March 1973 and their views on the prospects for the period April-September 1973 has just been completed. The summarised results of the survey are given below.

A. **Activities of firms covered by the survey**

	No of firms
(1) Metallurgical Industries—Ferrous/Non-ferrous (basic)	3
(2) „ do „ —Other than basic	12
(3) Heavy Mechanical Industries	27
(4) Industrial Machinery Industries	23
(5) Light Mechanical Industries	43
(6) Heavy Electrical Industries	14
(7) Light Electrical Industries	13

NOTE: Companies covered by more them one industry-group have been included once under each such group.

B. Employment sizes of the firms covered

Employment sizes (NOS)	No of firms
43-100	9
101-250	26
251-1,000	29
1001-2,500	19
2501-5,000	9
5001-7,500	3
7501-10,000	3
10,001-17,303	3
Total	101

C. Capital Employed by the firms

Capital Slab (in Rs lakhs	No of firms
1.0-24.9	22
25.0-49.9	15
50.0-99.9	14
100.0-249.0	21
250.0-499.9	9
500.0-999.9	9
1000.0-1999.9	6
2000.0-6999.0	5
Total	101

(Figures in terms of percentages)

(1) Total Trade (Based on 101 companies)

(a) Are you more, or less, optimistic than you were six months ago about the *general business situation* in the industry?

	More	Same	Less
(i) Views expressed in Oct. '72	38	47	15
(ii) Views expressed in Apr. '73	35	53	12

(b) Do you expect to authorise more or less capital expenditure in the next 12 months than you authorised in the last 12 months on buildings, plant and machinery?

Views expressed—	More	Same	Less
(i) in October '72 for Oct '72-Sept '73	55	36	9
(ii) in April '73 for Apr '73-Mar. '74	69	24	7

(c) Have you received any licence or 'letter of intent' in the past 12 months for any of the under-noted purposes?

	Views expressed in April 1973
(i) expansion of the present capacity	24
(ii) setting up of a new plant	7
(iii) manufacture of a new article/articles	24
(iv) no licences received	42

(d) Have you any application pending with government for licences for any of the under-noted purposes?

	Views expressed in April 1973
(i) expansion of the present capacity	26
(ii) setting up of new plant	9
(iii) manufacture of a new article/articles	28
(iv) no applications pending	37

(e) Is your present level of output below capacity? (i.e. are you working below a satisfactory full rate of operation?)

	Yes	No
(i) Views expressed in Oct. '72	66	34
(ii) Views expressed in April '73	75	25

(f) Excluding seasonal variations, what has been the trend over the past six months, and what are the expected trends for the next six months with regard to—

			Up	Same	Down
(i) Number of persons employed	Oct. '72-March '73	Anticipated*	30	69	1
		Observed	37	54	9
	April-September '73	Forecast†	45	51	4
(ii) Total orders	Oct. '72-March '73	Anticipated*	55	35	10
		Observed	40	51	9
	April-September '73	Forecast†	58	37	5
(iii) Value of of output	October'72-March '73	Ancticipated*	69	24	7
		Observed	48	36	16
	April-September '73	Forecast†	63	32	5
(iv) Stocks of raw materials and brought-out supplies	October '72-March '73	Anctipcipated*	40	50	10
		Observed	45	45	10
	April-September '73	Forecast†	48	42	10

(v) Stocks of finished goods	October '72-March '73	Anticipated*	34	55	11
		Observed	40	48	12
	April-September'73	Forecast†	28	63	9
(vi) Average cost per unit of output	October'72-March '73	Anticipated*	77	20	3
		Observed	87	10	3
	April-September '73	Forecast†	85	9	6
(vii) Average selling prices	October '72-March '73	Anticipated*	25	71	4
		Observed	32	63	5
	April-September '73	Forecast†	54	40	6
(viii) Rate of return on capital employed	October '72-March '73	Anticipated*	25	30	45
		Observed	18	33	49
	April-September '73	Forcast†	23	29	41

(g) What factors were responsible in limiting your output in the past six months?

	Views expressed In October '72	Views expressed In April '73
(i) Orders or sales	17	12
(ii) Skilled labour	2	3
(iii) Labour unrest	10	6
(iv) Plant capacity	6	7
(v) Power shortage	18	28
(vi) Credit or finance	8	6
(vii) Materials or components	29	28
(viii) Others	10	10

(h) In case labour unrest has been a major factor in restricting your output in past six months, what had been the causes of such unrest?

Views expressed	Wages & allowances	Bonus	Leave & hours of work	Dismissal of workmen	Lay-off/ retrenchment
(i) In Oct. '72 for Apr-Sept '72	71	21	6	..	2
(ii) In Apr. '73 for Oct. '72-March '73	48	36	13	..	3

(i) If supplies of raw materials and components had been a major factor in restricting your output in the last six months, which were the specific types of matrial causing the shortfall?

Views expressed—	Pig iron	Steel items	Non-ferrous metals	Bought-out components
(i) In Oct. '72 for Apr-Sept '72	5	50	9	36
(ii) In Apri. '73 for Oct '72-Mar. '73	10	47	6	37

(j) If financial difficulties had been a major obstacle to increasing output in the past six months, how had they been caused?

	View expressed In October '72 for Apr-Sept '72	View expressed In Apr '73 for Oct. '72-Mar. '73
(i) High inventory of raw materials	16	23
(ii) Increase in work-in-process	19	16
(iii) Extended credit required to be given to customers as compared to earlier year	34	17
(iv) Increase in finished stocks because of		
(1) better utilisation of plant capacity	2	..
(2) staggering in deliveries taken by customers	5	13
(3) inadequate demand for products	3	10
(v) Losses incurred	21	21

(k) In case you experienced difficulties in obtaining credit or finance, what had been the specific difficulties?

	Views expressed In October '72 for Apr-Sept '72	Views expressed In Apr. '73 for Oct. '72-Mar '73
(i) in getting limits revised with banks	55	28
(ii) obtaining term-finance because of		
(1) inadequate margins	13	11
(2) past losses	17	31
(3) declining prospects for the industry	3	12
(iii) raising share capital because of		
(1) past losses	7	15
(2) shareholders opposing rights issue because of inadequate capacity to pay dividend	2	..
(3) sluggish conditions in the capital market	2	1
(4) declining prospects for the industry	1	2

(2) Export Trade (based on 66 companies)

(a) Are you more or less optimistic about your export prospects for the next 12 months than you were six months age?

Views expressed in	More	Same	Less
(i) in Oct. '72 for Oct. '72 -Sept. '73	35	43	22
(ii) in Apr. '73 for Apr. '73-Mar. '74	40	44	16

(b) Excluding seasonal variations, what has been the trend over the past six months and what are the expected trends for the next six months with regard to—

			Up	Same	Down
(i) Value of new orders received for exports.	October'72-March '73	Anticipated*	34	39	27
		Observed	46	33	21
	April-September '73	Forecast†	42	43	15
(ii) Value of export deliveries	October '72-March '73	Anticipated*	37	41	22
		Observed	39	39	22
	April-September '73	Forecast†	41	47	12
(iii) Average prices at which export orders are booked	October '72-March '73	Anticipated*	10	78	12
		Observed	15	77	8
	April-September '73	Forecast†	20	71	9

(c) Were more or less export orders received during the past six months from:

	Views expressed	More	Same	Less
(i) old customers	(i) in Oct '72 for Apr-Sept. '72	22	43	35
	(ii) in Apr '73 for Oct '72-Mar. '73	33	29	38
(ii) new customers in same countries	(i) in Oct'72 for Apr-Sept. '72	22	32	46
	(ii) in Apr'73 for Oct'72-'73	17	30	53
(iii) cutomers in new countries	(i) in Oct'72 for Apr-Sept. '72	40	26	34
	(ii) in Apr'73 for Oct'72 Mar.'73	34	13	53

(d) What factors are likely to limit your ability to obtain and execute export orders over the next six months?

Views expressed—	Prices (compared over-with overseas competitors)	Delivery dates	Credit or finance	Import licence restrictions	Political/ economic conditions abroad	Others
(i) in Oct '72 for Oct'72 March'73	33	17	5	9	17	19
(ii) in Apr '73 for April-Sept'73	30	20	7	11	13	19

*Views expressed is October '72 †Views expressed in April '73.

Note: The trends obtained in October 1972 for 'Total Trade' were based on views expressed by 138 companies, and those for 'Export trade' on 108 companies.

The corresponding figures for trends obtained in April 1973 were 101 and 66 respectively.

RATES OF SUBSCRIPTION

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	Inland	Foreign	
Annual Subscription	Rs. 85.00	£ 10.00	$ 25.00
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RECORDS & STATISTICS QUARTERLY

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Annual Subscription	Rs. 16.00	£ 2.00	$ 4.00
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Note:—Subscription may commence, for the sake of convenience, from the first of any calendar month.

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Foreign Air Mail rates on application.

Kharif production programme, 1973

A HANDOUT recently released by the central ministry of Food and Agriculture states that a target of 115 million tonnes for foodgrains production has been fixed for 1973-74, out of which 67 million tonnes is planned for kharif. This target was fixed after detailed discussions with the representatives of the state governments, at a meeting held in the middle of April, 1973. The minister for Agriculture has written to the chief ministers of states, outlining the strategy for achieving the agreed target. For further follow-up action, the ministry is sending out teams of central government officers to the states to specifically discuss the kharif production plan and look particularly at matters relating to the organisation of these programmes, supply of inputs and financial resources required.

The strategy for foodgrains production during 1973-74 will have six main ingredients :

(i) **Increasing the area under important crops**

It is visualised that the cropped area under foodgrains will increase from an average of about 123.35 million hectares (gross) to 126.25 million hectares

(ii) **High-yielding varieties programme**

It is proposed to increase the area under high-yielding varieties from the anticipated 22.50 million hectares during 1972-73 to 25 million hectares during 1973-74. To achieve maximum benefit from the high-yielding varieties programme, it is proposed to identify maximum response areas in each region and then to coneentrate greater efforts in extension and supply of inputs in these areas. Apart from timely supply of quality seeds of suitable varieties, attention will be paid to the use of balanced fertilisers and plant protection measures.

(iii) **Crop management**

Although the total area under major crops (rice, wheat, maize, jowar and bajra) for which high-yielding varieties are available is 89 million hectares, it has so far been possible to cover only 22.50 million hectares under the high-yielding varieties. There are some areas in the country, particularly under autumn-winter rice where high, yielding varieties have not yet made headway, but sizeable increases in production may be expected by improved crop management of the local varieties. Particular attention will be given in these areas to the selection and introduction of varieties which suit the local complexes of agro-climatic and soil conditions, balanced use of fertilisers, recommended seed treatment and other plant protection measures and the timely supply of required seeds, fertilisers, credit etc.

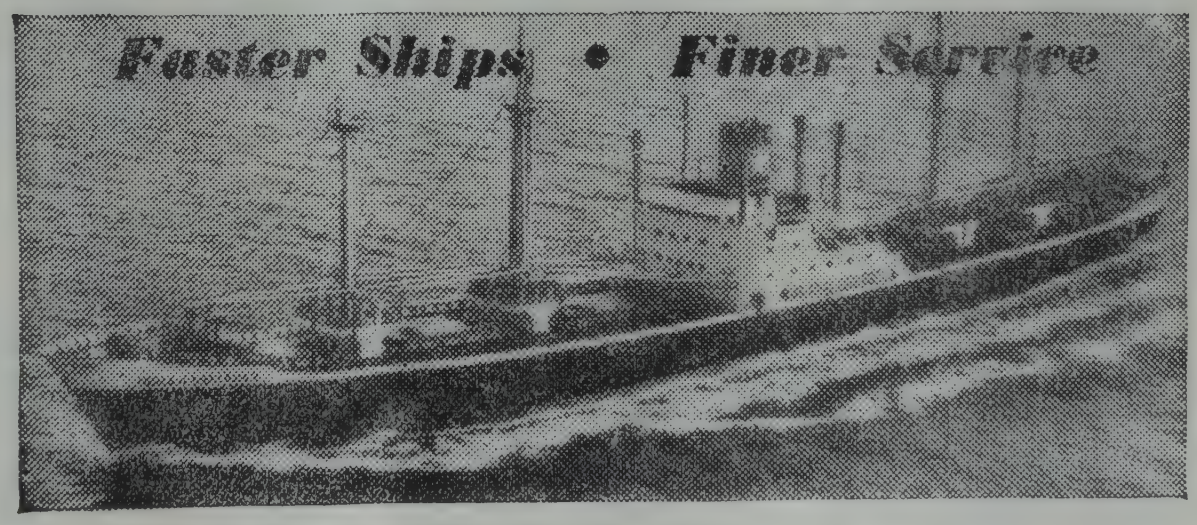
Apart from inputs an important requirement for implementing the proposed plan will be the strengthening of the extension organisations in the states for educating the large number of farming families involved in production, particularly in the areas selected for concentrated activities. Services of the students from Agricultural Universities and Youth Organisations will be mobilised for this purpose and active liaison between these organisations and the departmental extension staff at the village level will be necessary. The role of the Agricultural Universities and the State Agriculture departments will be clearly defined and special drive will be necessary in each region to achieve the required co-ordination.

(iv) **Irrigation**

Specific attention of the chief ministers has been drawn by the union minister of Agriculture to the priority need of effective utilisation of the existing irrigation potential in the command of major and medium irrigation projects and effective maintenance of minor irrigation facilities. It has been suggested to the state governments that the command areas of these projects be surveyed intensively by a joint team specially constituted for it with an Irrigation Engineer, an Agriculture Scientist and an officer responsible for credit and input arrangements.

(v) **Credit**

The states have also been provided with short-term loan assistance amounting to about Rs 30 crores for supply of inputs. They have also been advised to utilise institutional



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finance to the maximum extent by helping the co-operative institutions with supply of non over due cover where necessary.

(vi) **Arrangements for inputs**

All-out efforts have been made to step up domestic production of imports of fertilisers. It is expected that the kharif requirements would be met fully. Likewise, no difficulty is envisaged in meeting the requirements of paddy, maize and bajra seeds. Special arrangements have been made to mobilise reserves of jowar and groundnut seeds for the drought affected states. The requirements of almost all pesticides are also to be met in full.

The kharif production targets in 1973 for 67 million tonnes of foodgrains is made up of the various crops as follows :

(Million tonnes)	
Rice: Autumn and Winter	40.50
Jowar	6.00
Bajra	6.50
Maize	6.50
Ragi	2.50
Small Millets	1.50
Kharif Pulses (including Tur)	3.70
	67.20

Apart from foodgrains, targets for 1973-74 have also been fixed for the major commercial crops as indicated below :

Cotton ..	65 lakh bales
Jute ..	66 lakh bales
Oilseeds ..	94 lakh tonnes
Sugarcane ..	1350 lakh tonnes

The production of these crops remained low during 1972-73 on account of abnormally adverse whether conditions. It is, however, heartening to note that substantial increase in the production of these crops has been achieved in the earlier years. Particularly noteworthy is the breakthrough in the case of cotton where an all time high production of 6.53 million bales was achieved during 1971-72 which was an increase of about 50 per cent over the previous year's production and about 20 per cent higher than the highest produciion achieved in any previous year. The main strategy being adopted to achieve the targeted levels is to raise the yield per unit area through adoption of intensive cultivation measures in the potential areas. A number of Centrally Sponsored Schemes have been adopted under which incentives are being provided to the farmers for adopting package of practices.

Special efforts are being made to take up a sizeable programme for sunflower production. The Centrally Sponsored Scheme for Sunflower Development implemented during 1972-73 in the states of Andhra Pradesh, Tamil Nadu and Mysore is being continued in these states and extended to the states of Maharashtra and Gujarat during 1973-74. The aggregate area proposed to be covered is 320,000 hectares requiring 3,200 tonnes sunflower seed. The statewise breakup of the area targeted and also seed requirement is given in Table I.

In order to ensure the availability of the required quantity of seed, a crash programme for sunflower seed multiplication linked up with the Centrally Sponsored Scheme for Sunflower Demonstrations has been taken up during summer 1973 in the concerned states as per break-up given below :

States	Hectares
Andhra Pradesh	400
Tamil Nadu	200
Mysore	200
Gujarat	220
Maharashtra	60
	1080

Besides, the state governments were advised to procure as much as possible seed from the kharif and rabi 1972-73 crop for sowing purposes. In order to encourage the achievement of the targeted area under seed multiplication, it has been decided that the state government should procure good quality seed from the farmers by offering a suitable incentive price. The seed would, however, be sold to the farmers at the prevailing market price and the government of India propose to extend subsidy on the cost of good quality seed subject to a maximum of Rs 2 per kg. in the states of Andhra Pradesh, Tamil Nadu and Mysore where the scheme is being continued from 1972-73. It is also proposed to distribute sunflower seed free of cost in the form of 'Minikits' in the states of Maharashtra and Gujarat where the scheme is being implemented for the first time during 1973-74.

Table II sums up the sources through which the state governments are required to meet their seed requirements for kharif 1973.

To meet the balance requirement of seed, the governments of Maharashtra and Gujarat have already entered the markets of Tamil Nadu for the purchase of sunflower seed on the advice of this ministry.

TABLE I

Targeted Area and Sunflower Seed Requirement in 1973-74 (State-wise)

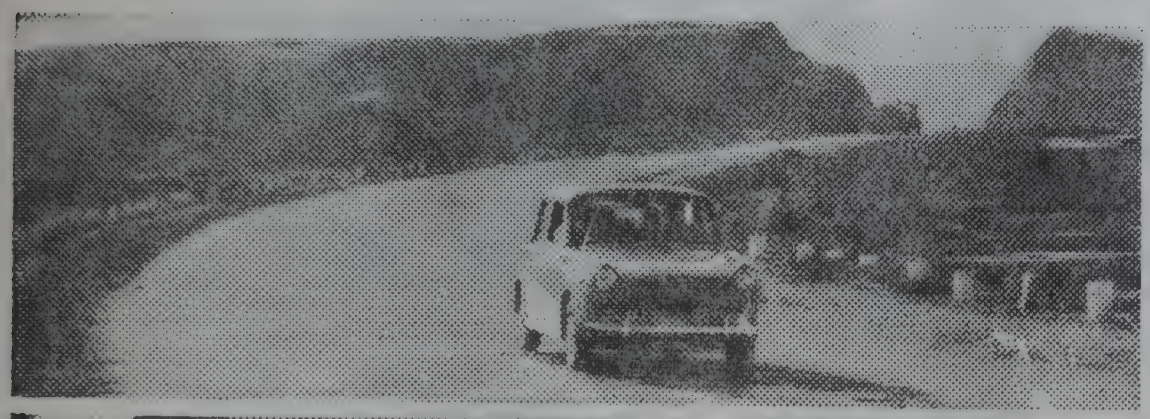
State	Coverage target (hectares) 1973-74			Seed requirement (tonnes)		
	Kharif	Rabi	Total	Kharif	Rabi	Total
1. Andhra Pradesh	50,000	30,000	80,000	500	300	800
2. Tamil Nadu	80,000	20,000	100,000	800	200	1000
3. Mysore	35,000	15,000	50,000	350	150	500
4. Gujarat	40,000	10,000	50,000	400	100	500
5. Maharashtra	40,000	—	40,000	400	—	400
	245,000	75,000	320,000	2450	750	3200

TABLE II

Sources of Sunflower Seed for Kharif, 1973

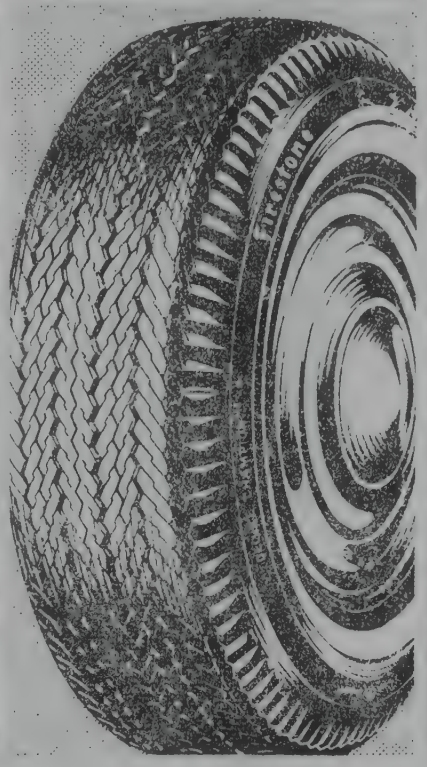
State	Procurement from		Imported seed	Total
	Kharif/Rabi programme	Demonstrations seed		
	(tonnes)	(tonnes)	(tonnes)	(tonnes)
1. Andhra Pradesh	150	300	70	520
2. Mysore	200	150	50	400
3. Tamil Nadu	360	370	70	800
4. Gujarat	255	240	5	800
5. Maharashtra	120	—	90	210

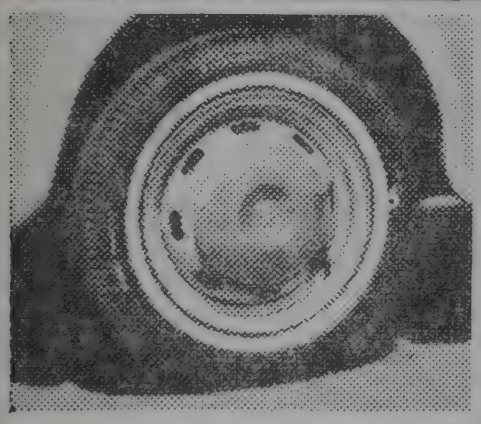
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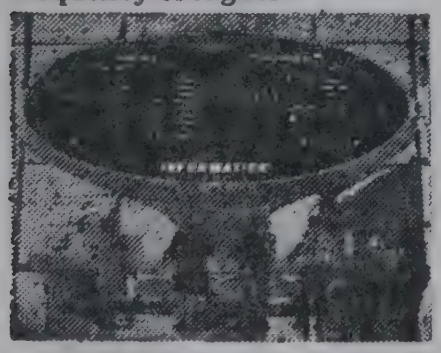
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Not by Confidence Tricks

New Products to New Markets

Two Sensible Decisions

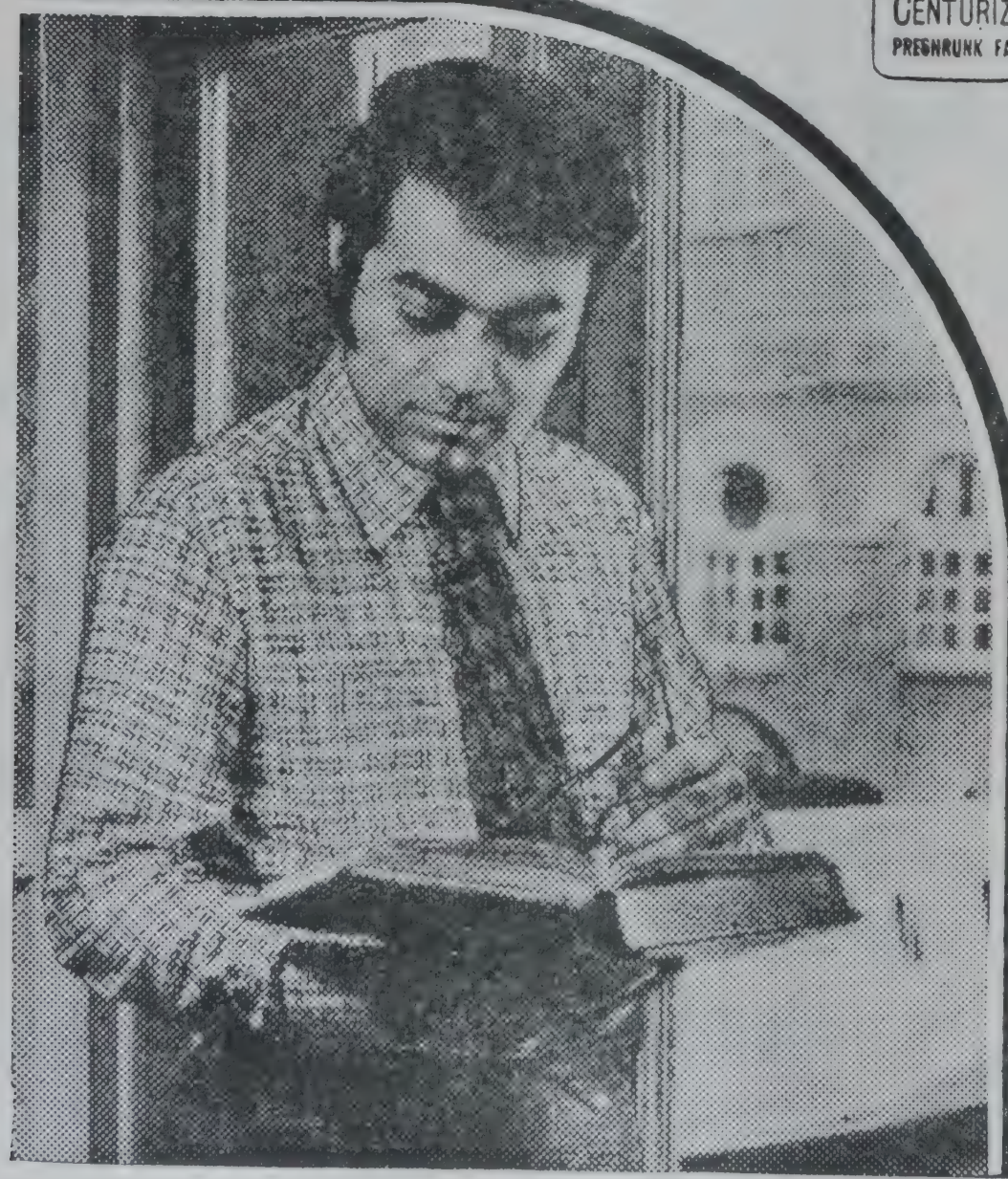
A Case of Management Failure

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Not by confidence tricks

OF ALL the sad events or incidents in the sorry functioning of the government to date, nothing has been sadder than the Planning minister's sharp loss of credibility. When Mr D.P. Dhar took up this portfolio, there was much expectation in the land that he would use his agile intellect, mature wisdom and political savvy to lead the nation's economic planning in refreshing directions of solid achievement. He presented then the picture of a politician of substance, if not yet a statesman, who was sufficiently close to the prime minister to be able to advise her on what would be good and right for the economy, without risking, in the process, damage to his credentials as a loyalist of the party line. It is a pity that it has not taken him long to shed all this virginal promise and become a battered and bedraggled camp-follower.

It may be that Mr Dhar is not mainly to blame for this tragi-comic denouement. The odds were certainly against him almost from the very beginning, for to him was given the almost impossible assignment of planning for bigger and better development not only against the backdrop of a faltering economy but also in the context of continuing government policies and decisions geared to priorities definitely other than development. To add to this, he has had to be for ever struggling to establish and re-establish his radical *bona fides* in the constant in-fighting that has been going on among ministers obsessed with improving their relative standing with the prime minister or in the politics of the party.

Nevertheless, when all the excuses have been made, it would still remain true that some part of the responsibility for the failure that Mr Dhar is rapidly becoming must rest on the shoulders, broad or otherwise, of Mr Dhar himself. For one thing he has been playing too long the game of promising more than he can perform. In his early days at Yojana Bhavan he talked and acted in a manner which raised hopes which he could not fulfil. He made it appear that he would be receptive, responsive and more practical, than political, but in one instance after another he has behaved in a manner which has suggested that, invariably, he does not mean what he says. In other words, his was not a case of arriving at a credibility gap; on the contrary, he has gone about painstakingly creating it.

An even more serious weakness perhaps in his functioning at the Yojana Bhavan has been his inability to appreciate that, while he could certainly make mischief on his own, he could not, even if he wanted to, prevent others from making mischief. Thus, in spite of his strong convictions, he could not successfully oppose the taking over by the government of the non-coking coal industry. It must be small comfort to him now that he himself was able to sell to the prime minister the proposal for the wholesale takeover of foodgrains, although some of his ministerial colleagues had expressed objections or reservations.

To some extent the trouble here might have been due to the clash of strong personalities, but it is by no means self-evident that the passing away of Mohan Kumaramangalam could lead to smoother or more effective functioning by the minister for Planning. The reason is obvious, for a good part of whatever trouble there was or is amounts to no more or no less than that Mr Dhar is the kind of man he is. Take for instance his going to All India Radio last week to talk about the Plan. Even if he might not have gone there to bury Caesar, he certainly could not have thought that he could get away with pretending that nothing was the matter with Caesar except that he had caught the common cold. When he delivered his broadcast, the Planning minister was surely aware of the fact that not only many of the important theoretical formulations of the fifth Plan were being challenged at the academic level but that the practical economics of the Plan had changed out of recognition in the immediate past. In spite of this Mr Dhar could tell the nation with a straight face that only the financial estimates had to be readjusted a little and that this could be done without any difference being made to the physical targets.

It is true that he did speak with appropriate sadness of dreams that were dreamt about the fifth Plan but which might not be realized, but it is right to point out that even six months ago Mr Dhar had not suggested anywhere that there was any day-dreaming in his 'Approach' paper on the fifth Plan. The situation then boils down to this. The Planning minister, obviously, cannot entirely avoid feeling that the fifth Plan has gone off the tracks even before it has got on to them. But he will not admit this fear to himself, much less to the country.

This is a truly demoralizing situation; all the more so because Mr Dhar,

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whether he himself is conscious of it or not, is becoming a defeatist so early in the game. Fortunately all is not lost yet. It has been said that there is nothing wrong with this country which half-a-dozen intelligent, informed, earnest and energetic men in the government cannot set right, provided of course they have first succeeded in disciplining the government into accepting a proper scheme of priorities. This, surely, is the crux of the matter—this issue of priorities—and Mr Dhar should be the first person to realize this. He must have learnt by now that there is nothing to be gained by engaging in unrealistic wrangling over the theme of self-relianee in terms of the scale of external assistance. It would not at all matter to the country if net aid has not worked out to zero by the end of the next five years. What would matter to it is that current production must be restored and revived with the least possible delay while an effort should be made by and on behalf of the nation to raise its level of productive investment in essential goods and services to as high as the nation's resources, actual or to be activated hereafter, could generate or sustain.

The Planning minister must realize that figures alone do not add up to a plan. Outlays and allocations become real only when there are specific economic policies and programmes firmly designed to find the resources and set them to work. So long as the Planning Commission is unable or unwilling to work out this corpus of policies and programmes—and Mr Dhar has revealed that Yojana Bhavan has fought shy of this responsibility—the country will be condemned to what in effect is a plan holiday, whether it wants it this way or not. It has been said that a chicken farm, whether large or small, could be run on a succession of confidence tricks. Mr Dhar, it appears, has experience of running a large chicken farm. Running a country's economy is a different matter altogether.

New products to new markets

t

THE BIRTH of thc Trade Developmen Authority (TDA) three years ago had caused a misgiving in many minds. It was feared that this state-sponsored agency would hardly be able to assist in increasing this country's exports and that it would ultimately be reduced to the status of a bureaucratic offshoot of the ministry of Commerce. The slow pace of its operations during the first 18 months of its life tended to support this viewpoint. However, its third annual report for 1972-73 has raised some hope that it might play a useful role in intensifying the export efforts of manufacturing units in the small and medium scale sectors.

The TDA had set the target of exports through its own efforts at Rs 33.80 crores in 1972-73. Its performance has been encouraging as it succeeded in booking orders for its client firms worth Rs. 34.50 crores. What was still more interesting was that the bulk of the export orders were booked in the USA yielding dollar earnings. Whereas the TDA assisted in exporting goods worth Rs. 12.27 crores to the USA in 1971-72, it almost doubled its export earnings (Rs 22.50 crores) through its exports to that country in 1972-73. And now, the TDA is hopeful of raising exports through its efforts to the USA to Rs 30.0 crores in the current financial year out of its total estimated export effort of the order of Rs 52.05 crores.

It will however be helpful to know the percentage shares of the small-scale and medium-scale firms. Do these figures include the exports of the large firms as well? Some of the client firms listed in the Annual Report of the TDA do belong to the large-scale sector. Perhaps the TDA would undertake this exercise and show that it has not unnecessarily inflated its figures by including the exports of relatively big firms which in fact are already well-established in the export markets and do not need its assistance.

After intensive surveys of the western markets the TDA has come to the conclusion that "there is a tremendous demand both in western Europe and the USA for electronic products like resistors and capacitors and other engineering products like hand tools and small tools, industrial fasteners, bicycle components particularly chains". The most challenging task is to assist our manufacturing units to expand their capacities to match demand from European and American buyers. Happily, under the advice of the TDA many of our units have already received sanctions from the government for increasing their capacities, though the fruits of these efforts would be visible a couple years hence. While expansion in capacity is feasible within two or three years, the gestation period for new products extends up to five years. The TDA is therefore right in emphasising that steps should be taken by the government to reduce the lead-time involved.

Broadly, the TDA has concentrated its efforts on (i) opening up new markets, (ii) enlarging the existing ones, (iii) promoting new products, (iv) suggesting product adaption to suit buyers, and (v) locating new buyers. The manner in which it attempted to capture the Spanish market is instructive. It invited representatives from two of its department stores—El Corte Ingles and SEPU—to this country to enable them "to see for themselves the quality and the range of products that TDA's clients can supply". And this resulted in trial orders worth Rs 28 lakhs for car aerials, locks and padlocks, sports goods, musical instruments, costume dolls and readymade garments. All these products entered the Spanish market for the first time but it needs to be underlined that the Spanish buyers, even after placing the order for these products, did not have much faith in our exporters. They were afraid that either the goods supplied would not be of the specified quality or they would not be delivered within the scheduled delivery periods. That is why one of them made it incumbent on the TDA "to certify the quality and quantity of each shipment."

Another interesting example of good work done by the TDA is its achievement in the export of Sports Lightweight Roadster (SLR) bicycles. Till 1970, our country had exported only limited quantities of these bicycles. It was the TDA which arranged for the import of 3-speed hubs for SLR bicycles and cashed in on the bicycle boom in the USA. The TDA clients succeeded in booking orders worth six crores of rupees for these bicycles. And now efforts are being made in our country to develop the technical know-how for the manufacture of these special hubs. The Hindustan Machine Tools—a public sector undertaking—has taken up the challenge of making these hubs and once it succeeds in its efforts, it would be possible for this country to further increase the exports of these bicycles without depending upon foreign suppliers.

The export of a few selected industrial products can be increased manifold provided our manufacturers learn the art of adapting their goods according to the likes and dislikes of buyers. The TDA has done the right thing in undertaking the project for product adaptation which would be completed in several phases. While foreign technicians would visit units in this country to advise on the changes needed in their products, Indian technicians would be sent to foreign

countries for on-the-job training. Once the foreign buyers are convinced that manufacturing units in our country are in a position to produce goods of the requisite designs and quality, it is certain that long-term contracts would follow. The results of this kind of effort would however be seen after some time.

The TDA has taken active part in helping the Electronics Commission in setting up the Export Processing Zone at Santa Cruz, Bombay. The entire production of the zone would be earmarked for exports and is expected to bring in valuable foreign exchange. The zone extends over 100 acres of land and is situated at a distance of six kilometres from the Santa Cruz airport. The preparatory work has been completed and applications have already been invited from entrepreneurs who wish to set up units in the zone. If it turns out to be a success, there is a possibility of setting up similar processing zones in other parts of the country.

The strategy adopted by the TDA in regard to the location of foreign buyers and the indigenous suppliers is basically sound. During the past three years, it has mobilised the support of 200 importers, wholesalers and department stores in western Europe, the USA, Canada and Japan. In this country, it has enrolled 461 exportworthy units which in its assessment "represent the essence of India's export capability in the small and medium scale sectors in the specialised products lines". Buying missions from the USA, Sweden, Switzerland, Spain, France, West Germany and the Netherlands have visited our country and their meetings with the clients of the TDA have resulted in some trial orders. Also, the TDA has started organising visits to these markets by our selling missions and the first of these missions went to the USA in January this year for a fortnight. The trial orders of Rs 48 lakhs for readymade garments are a good beginning. These efforts are being supplimented by the establisment of foreign offices. The first of these has been set up at Frankfurt (West Germany) while the second will be set up soon at New York. Both these offices will be TDA's outposts in the western world and would keep it posted with the latest trends in merchandising.

The export activities of the TDA receive valuable support from its Information Division and the Research and Analysis Division. The Information Division is engaged in the task of completing market information surveys in the UK, West Germany, Italy, France, the USA, Canada and Japan for selected products. In this effort, it has sought the assistance of the International Trade Centre, Geneva, and the Swedish International Development Agency. Rightly, these studies would be treated as benchmarks and it would be the responsibility of the Frankfurt and New York offices to update them from time to time. Besides these surveys, the TDA has established liaison with a number of international trade organisations for keeping its information files up-to-date. The task of identification of the disaggregated information which the exporters need still awaits completion. Only a pilot survey in Delhi has been completed. The efforts of the TDA during the past three years in collecting information of use to exporters have resulted in accumulation of numerous details whose manual handling is cumbersome. The TDA is rightly thinking of switching over to electronic data processing of the available information as it would facilitate it retrieval as and when needed

The main contribution of the Research and Analysis Division is the selection of products for commercial development programmes in selected countries. Now the TDA is fully aware of the products which have relatively good possibility of exports from this country to Denmark, Switzerland, Austria, West Germany, Canada, the UK, France, Norway, Belgium and Italy. Its other activities include short-term forecasting projects, inter-firm comparisons and a study of the Generalised System of preferences extended by the original six members of the EEC and Japan. Both the Information Division and the Research and Analysis Division are necessary adjuncts of the Merchandising Division but the success of the TDA will be measured not by the number of studies undertaken by it but by the total increase in exports due to its efforts.

Realising that the current slowdown in industrial output has been partly due to the shortage of industrial raw materials and components which in turn would have an unfavourable impact on exports, the government has taken some timely corrective action. The import policy relating to priority industries has been liberalised so as to ease the inflow of essential inputs. The actual users in the priority industries have now been allowed to import limited quantities of any raw material or component with the proviso that no single item imported would exceed the value of Rs 50,000. If, however, increased import is required, permission of the Director-General of Technical Development would have to be secured. Along with the liberalisation of import policy relating to priority industries, the government has also evolved a simplified procedure for processing applications for import licenses from registered exporters. Designed to ensure prompt disposal of claims of exporters to replenishment licences, it will apply to registered exporters of three years' standing. The new scheme is voluntary and all registered exporters who wish to avail of it will have to enrol themselves with the licencing authorities for getting import replenishment licences. The revised import policy as well as the new scheme for the processing of import applicationns are likely to give a push forward to industrial production and consequently exports.

Eastern Economist 30 Years Ago

JUNE 18, 1943

The consumers' movement draws its inspirations from Rochdale; and British societies have served as the model for cooperatives all the world over.

Their principles—open membership, sale at market prices, sale for cash, fixed interest on share capital and dividend based on members' purchases—have been of universal application. These have stood the test of time, and slight modifications here and there have not constituted any real breach in their protective walls. The retail societies extended their operations, amalgamated with others and federated into wholesale societies which not only brought the various goods for distribution among the retail societies but began to produce most of them in their own factories. Co-operative production became the most significant feature and purpose of the consumers' movement, whose philosophy was interpreted as no less than the transformation of the capitalistic society into a cooperative order. If all production was organised by and in the interests of consumers there was no question of any profit accruing to the capitalist as such.

Limits to deficit financing

THE LATEST reports about an increase in the overall deficit of the central budget for 1972-73 by Rs 300 crores to the staggering total of Rs 850 crores indicate that the disbursements by the central government are running at an unprecedented level and financial discipline has been thrown overboard. Even in 1971-72 when heavy expenditure had to be incurred on maintaining millions of refugees and on the prosecution of the Indo-Pakistan war the overall deficit was only Rs 710 crores. The huge gap in the last financial year has arisen in spite of buoyancy in tax revenues and record borrowing through open market loans and under the small savings campaign. If the adjustments relating to the overdrafts of the state governments, under which the centre took over the liability of the states from the Reserve Bank on its own account, are taken into consideration, the uncovered deficit amounts to the astronomical figure of Rs 1,271 crores. It can of course be said that the addition to the deficit on account of the state governments was only notional as the pumping of money into circulation had been effected over a period and there was no creation of currency to this extent in one particular year. But the fact remains that in two years deficit financing by both the central and state governments amounted to Rs 2,000 crores.

It is noteworthy that big deficits have arisen in spite of larger budgetary receipts. In the revised estimates for 1972-73, revenue receipts increased to Rs 4,628 crores from Rs 4,467 crores (budget). But the rise in expenditure was even more pronounced at Rs 4,591 crores against Rs 4,124 crores resulting in a reduction in the revenue surplus to Rs 37 crores from Rs 343 crores. In the capital budget, too, the revised estimates disclosed a large deficit of Rs 587 crores even with an improvement in receipts to Rs 2,652 crores from Rs 2,095 crores. But for the record amounts raised through open market loans and under the small savings campaign the deficit would have been much larger as stated above.

These data clearly indicate that total disbursements in the revenue and capital budgets in respect of the centre alone exceeded Rs 7,800 crores, In 1973-74 a new record may be established at Rs 8,000 crores or even more, though the budget estimates provide for an agregate expenditure of Rs 7,626 crores. But the actual outgo will be more than in 1972-73 as the budgetary total for that year swelled exceptionally by the adjustments relating to overdrafts of the state governments.

It has been explained that the larger deficit for 1972-73 was due to a shortfall in revenues and an increase in expenditure on accounts of imports of foodgrains. It is understandable that there was a drop in excise revenues because of a lower level of industrial production in the latter half of 1972-73 due to power shortage. But, the outlay on imports does not involve any increase in the net liability of the central government as the imported foodgrains were subsequently sold and the government would be a net loser only in respect of the subsidy element. The budgetary trends are therefore confusing though there is reason to believe that other factors have been at work and the central and state governments have really no control over non-Plan expenditure particularly.

In spite of the satisfactory completion of the first stage of the borrowing programme of the central government for 1973-74 the cash balances with the Reserve Bank have been hovering around Rs 50 crores. The states too have been increasing their overdrafts from the Reserve Bank even with liberal assistance from the centre. In view of the heavy sales of foodgrains at subsidised rates, massive expenditure on drought relief operations and on the crash programme for boosting food production in the kharif season, it will not be surprising if there is a repetition of the happenings of 1972-73 in the current year as well.

A stupendous effort was made when the budget estimates for 1973-74 were presented to Parliament early this year to reduce the overall deficit to Rs 85 crores by imposing fresh taxation of over Rs 300 crores. The actual deficit however may be of a much larger order. First, the recommendations of the Pay Commission when implemented may call for an additional expenditure of Rs 200 crores and not Rs 150 crores anticipated earlier. The government may be compelled to adopt a liberal approach because of the dissatisfaction expressed by the employees over the approach of the Pay Commission. There will also have have to be an increase in the dearness allowance as the cost of living index has been rising at an unprecedented rate.

The expenditure on subsidies on sales of foodgrains may be forbidding if the government is compelled to grant an increase in the procurement prices of wheat and there is no corresponding adjustment in the issue prices. The additional outgo on this account may be easily Rs 100 crores especially as the imported foodgrains also may involve loss on subsequent sale. The crash programme for the kharif season will for its part require an outlay of Rs 200 crores.

Taking also into consideration a contingency provision of Rs 100 crores under other heads and a likelihood of a shortfall in revenue receipts by Rs 200 crores due to a sharp drop in excise revenues, the overall gap may eventually be as much as Rs 785 crores. It will of course be possible to intensify open market borrowing and small saving and capital receipts may be higher by Rs 200 crores. Even so, the overall deficit will still be sizeable at around Rs 600 crores.

In view of the extremely difficult way and means position of the central and state governments and the undesirability of maintaining public expenditure at a high level in the face of an acute shortage of physical resources, it is wondered in knowledgeable circles whether the union Finance ministry is taking an overall assessment of budgetary resources and making an effort to secure a grip on expenditure. Unfortunately, there are no indications of and new thinking in this regard in government circles and a policy of drift is in evidence.

It is even being asked what exactly is the significance of the Reserve Bank's recent move to raise the bank rate and check an undue assertion of inflationery pressures. In the light of subsequent developments the policy of dearer money may not have any impact on government spending. There is as yet no indication of any change in the basis of borrowing as open market operations have not so far revealed any shifts towards a higher yield basis. The Reserve Bank also is not in a position to refuse to create curreucy at the bidding of the government.

As matters stand, it may become necessary to present a supplementary budget to Parliament later in the year if it is not possible to reduce Plan outlay or prevent an increase in expenditure in other directions. It will be the height of folly to persist in deficit financing on a large scale for the third year in succession when it is likely that inflationery pressures will get out of hand. Without a smart recovery in agricultural and industrial production in the latter half of 1973 the country may witness a serious crisis on the economic front.

The government should not be caught napping and it should initiate measures from now on for maximising productio

with the existing facilities. With better attention to the generation of power with the existing capacity and the suitable changes in prices of controlled commodities the shortages in many directions can be overcome. There should not however be any undue anxiety to push through new Plan schemes. Instead there should be intensified execution of schemes in the final stages of completion. Everything depends on the trend of developments in the latter half of 1973. If nature again fails, the situation may become unmanageable unless the correctives are readily applied. The recent warning signal can be ignored only at peril.

Two sensible decisions

OPINIONS WILL differ on whether, in a departure from the recommendations of the Agricultural Prices Commission, the decision of the central government to fix, uniformly for the whole country, "support" prices for the next kharif grains at Rs 63 per quintal for paddy, jowar and maize, Rs 65 for bajra and Rs 62 for ragi—which has been endorsed by the last week's conference of state chief ministers—errs on the high side or not. In the case of paddy, for example, the support price of Rs 63 a quintal compares with the last crop's weighted average procurement price of Rs 54 per quintal. But there can be no denying the fact that the distinction that has been made between "support" and "procurement" prices—the former to be announced in future before the sowing of a crop and the latter just before harvesting—was warranted, even if one were to take seriously the ruling party's slogan that the private wholesale trade in foodgrain will be eliminated progressively.

There are two basic reasons for not equating the support and procurement prices. The real function of support prices is to facilitate a decision on the part of agriculturists to produce a particular crop or not. Support prices only ensure that even in the event of bumper crops, the prices of the supported products would not be allowed to fall below the "floors". Between the sowing of a crop and the harvesting of it, there are many imponderables. A good rainfall and easy availability of farm inputs, can help raise yields. On the other hand, if rainfall is not adequate and constraints develop in the supply of fertilisers and pesticides, the production of a crop may not turn out to be according to expectations. In the former case, the distinction between support and procurement prices undoubtedly loses much of its significance, but in the latter contingency, it has a good deal of relevance. The procurement prices in the latter event obviously cannot be equated with support prices; they have to be adjusted upwards according to production estimates.

The second reason for not equating support and procurement prices is that between the sowing and the harvesting seasons, the costs of agricultural operations and fertilisers and pesticides may go up, sometimes even substantially, due to reasons beyond the control of agriculturists. The agriculturists, therefore, have to be compensated for increased costs at least to some extent. This can be done through suitable adjustments in procurement prices.

In the present scheme of state takeover of wholesale trade in foodgrains, the distinction between support and procurement pirces, indeed, was called for. Had this distinction been made earlier in the case of wheat, most of the difficulties which are being experienced in the procurement of this commodity, surely could have been obviated. The present scheme does provide some role for the private retail trade in foodgrains. Even if wheat procurement this year reaches the target of 8.12 million tonnes and sizeable quantities of other foodgrains, including paddy, are procured, the government obviously will not be in a position to take up the responsibility of meeting the requirements of the entire population through the public distribution system. The retail trade and direct dealings between producers and consumers may account for at least half of the marketable surplus of foodgrains. The prices in retail trade and those governing direct deals between producers and consumers can surely provide a clue to the extent of variation that might be called for between the support and procurement prices.

Equally wholesome is the decision of the union government to provide bonus to states for wheat procurement on a graduated scale, as is being done in the case of procurement of paddy. If the procurement of wheat in a state up to July 15 amounts to or exceeds 25 per cent of the target stipulated for it but falls short of 50 per cent of the target, the bonus to be provided is Rs 4 per quintal. For procurement between 50 and 75 per cent of the target, the rate of bonus is to be Rs 5 per quintal. It will go up to Rs 7 per quintal if procurement is between 75 and 100 per cent of the target. If the target is exceeded, the bonus will be raised to Rs 10 a quintal. The schemes for the utilisation of this bonus are to be prepared by the states themselves. The underlying idea indicated to them is that it should be passed on to the agriculturists who have co-operated with the government by selling to it their surplus produce, in a judicious manner—in the form of supply of essential farm inputs at concessional rates—so that they can increase their production during the next kharif season.

The provision of this incentive should help in increasing the market arrivals of wheat, which to some extent should also go up if the rainfall is in time and adequate. The government however, can consider another proposal as well in this respect. It can gradually raise the procurement price of wheat with the passage of time. The genesis of this proposal is that during the period the agriculturists hold back their product, the Food Corporation of India saves warehousing and interest charges which it would have incurred had wheat been procured by it soon after harvesting. Some percentage of this saving apparently can be utilised for providing a better price to the farmer for his produce. The apprehension that the adoption of this method would further delay procurement operations seems to be unjustified for the simple reason that the step-up in the procurement price every month can only be modest. It can go some way in inducing at least weak holders to part with their stocks which they might have held back for fears of the rain god failing them.

A suitable revision in the authorised retail prices of wheat is now called for because the enforcement machinery of the government being what it is, it has not been able to bring out the hoarded stocks at the retail level. Most of these stocks were purchased by the retail trade at prices around Rs 100 per quintal before publicity was given by the centre to its directive to state governments that the authorised private retail prices should be fixed around the issue price of wheat from the government stocks. The trade was kept in the dark for a considerable period about this directive. The belatedly fixed authorised prices are surely unrealistic. In some states, the folly, of course, has been realised and the authorised retail prices have been raised to some extent.

A decision at the level of the central government is however still needed.

The hopes of the central government that it will argument supplies through imports must have been dampened by the move of President Nixon to freeze the prices of essential consumer goods in the United States, including foodstuffs, for a period of 60 days and the proposal being considered by him for curtailing exports of foodgrains. No doubt, the global price of wheat received a boost last year as a result of the massive purchases by the Soviet Union and China. But another factor that has been in operation, particularly in the United States, for nearly two years now, has been the tendency of agricultural prices to catch up with the rise in the prices of industrial goods. There is a demand in the United States for restricting exports of various items so that domestic prices may be stabilised. As a result, lumber exports from the United States have already been severely restricted. A similar step in the case of wheat should not be completely ruled out even though till lately the US administration had been averse to it.

The proposal of some chief ministers of states that instead of importing wheat from abroad at as high a price as approximately Rs 110 per quintal, the agriculturists here should be provided a procurement price around Rs Rs 100 per quintal may be plausible, but its implications are very serious. The main faet that the protoganists of this proposal seem to have overlooked is that once procurement prices, which hitherto have been equated with support prices, are raised by a big margin, it will be very difficult to resist the pressure from the farm lobby next year and bring the prices down appreciably. In fact, the demand would be that Rs 100 a quintal should be made the support price for wheat and following the distinction being made between the support and procurement prices of paddy and other grains, the procurement price for wheat should also be fixed higher. This will give a big push to the uptrend in prices or increase the burden of food subsidy on the central exchequer. Even if imports have to be arranged at a high price this year, the implications of this are not as serious as those of raising the procurement price of wheat to Rs 100 per quintal. The interest of consumers cannot be thrown to the winds. The entire population has paid dearly for the building up of the infrastructure. The benefits from the investments in infrastructure have to flow to every one and not to particular segments of society.

In view of the unsatisfactory wheat procurement so far—till June 14 the procurement had been only of the order of 3.7 million tonnes, as against 4.6 million tonnes during this period last year and this year's target of 8.12 million tonnes—it is imperative that an all-out effort is made to step up the next kharif output to the maximum. The overall target fixed for this crop at 67 million tonnes—rice 40.5 million tonnes, jowar six million tonnes, bajra and maize 6.5 million tonnes each, ragi 2.5 million tonnes, small millets 1.5 million tonnes and kharif pulses (including tur) 3.7 million tonnes—as argued in the last issue of this journal, is by no means ambitious. But its attainment depends to a great extent on good rainfall and adequate availability of fertilisers. The significance of good rainfall has grown in view of the fact that, following the recent downward revision in the ceilings on land holdings, the irrigation potential of tubewells has been destroyed to some extent in some parts of the country, particularly in Uttar Pradesh, Punjab and Bihar. As regards fertilisers, no doubt the indigenous production registered an increase of 1.1 lakh tonnes in the case of nitrogen—from 9.5 lakh tonnes in 1971-72 to 10.6 lakh tonnes in 1972-73 —and about 5,000 tonnes—from 320,000 tonnes to 325,000 tonnes—in the case of P2O5, the output was lower than targeted because of constraints of power supply and mechanical and other troubles at various fertiliser manufacturing units. In view of the global shortage of fertilisers, imports obviously could not have been satisfactory. There is, thus, a likelihood of supply falling short of demand even though as a result of power generation picking up soon, this constraint on the manufacture of fertilisers may not remain.

For the kharif crop, the estimated requirements of fertilisers this year are about 17 per cent higher than the last year's level of 7.4 lakh tonnes nitrogen, 2.3 lakh tonnes of P2O5 and 1.59 lakh tonnes of K2O. The consumption of fertilisers during the kharif season in the past five years is shown in the table below. The table reveals that the increase in the application of fertilisers envisaged this year has been exceeded only in 1969-70. The arranging of supplies to the extent of 17 per cent more than last year, therefore, is not going to be an easy task. The expectations of raising the utilisation of capacity in our fertiliser manufacturing units and the commissioning of new units have been persistently belied for over a decade. This year's experience is not likely to be an improvement over the past. The targets of raising the production of fertilisers to 1.3 million tonnes nitrogen and 4.5 lakh tonnes P2O5 are unlikely to be accomplished, as the commissioning of the Durgapur fertiliser project has been delayed further. After considerable delays and troubles, this project was expected to be brought on stream in April last. The latest reports suggest that the mechanical troubles of this plant are not yet over. The case with the Barauni project is no different. In view of the shortage of fertilisers, it will be judicious if at least supplies for the high potential areas are ensured and made available to the agriculturists in time.

Another ominous portent has also developed on the fertiliser front as a result of the increase in the prices of petroleum products effected on June 11. The sharpest increase has taken place in the ceiling price of naphtha. This price has been raised by as much as 25 per cent. The implications of the sharp increase in the price of naphtha have to be thoroughly gone into because it is bound to raise substantially the cost of production of fertilisers, which will have widespread repercussions on the agricultural sector. No doubt, the increase in the price of naphtha will help in diversifying the feedstock for the manufacture of fertilisers, but the requirements of the agricultural sector cannot be ignored for the sake of containing the petroleum import bill. There is a sound case for a downward revision in the excise duty on fertiliser if the costs of production in the agricultural sector are not to be distorted severely.

(In thousand tonnes)

Year	Nitrogen	P2O5	K2O
1968-69	522.83	169.26	58.07
1969-70	619.27	188.42	74.49
1970-71	627.55	203.75	92.97
1971-72	733.66	238.28	119.56
1972-73	740.00	239.00	159.00

Too little, too late?

THE CUT in the export duty on carpet backing, announced by the government of India on June 11 may create the impression that New Delhi has become fully aware of the serious threat confronting the jute industry in the foreign markets. But such an assumption does not seem warranted. The fact is that the latest relief merely provides the corrective for the deterioration of the industry's competitive capacity caused by the recent devaluation of the dollar. The least that the government should have done was to abolish the export duty altogether

It was on October 31, last year that the government reduced the export duty on primary carpet backing cloth weighing 9 oz. and above per square yard from Rs 700 to Rs 300 per tonne. There was no reason why fiscal relief should have been denied to secondary carpet backing which had also been adversely affected by the inroads made by synthetics. This cut in duty benefited only about 30 per cent of the total production of carpet backing. Meanwhile. on account of the devaluation of the US dollar, the landed price of Indian jute goods went up by about five per cent, and the export of carpet backing was meeting with resistance. In this situation, what was wanted was a total abolition and not merely a further reduction in the export duty. The government has now reduced the export duty on carpet backing, weighing 7½ ounces or more per square yard to Rs 200 per tonne. The duty on carpet backing weighing less than 7½ ounces per square yard has been reduced to Rs 300 per tonne.

Mr J. P. Goenka, the President of the Indian Jute Mills Association, has pointed out that even after this reduction in the export duty, the previous price difference of Rs 700 per tonne against jute carpet backing (secondary) continues while, in regard to the other constructions of carpet backing, it has been narrowed down by Rs 100 per tonne. The jute carpet backing in the USA has been uncompetitive with synthetics to the extent of over Rs 700 per tonne for the past few years; and it is therefore surprising that New Delhi has been dilatory and niggardly in providing relief to this important earner of foreign exchange.

Recent statistics clearly indicate to what a large extent the export of carpet backing had suffered mainly due to its inability to compete with synthetics. The export despatches of this item, mostly to the USA, amounted only to 45,000 tonnes in the first four months of 1973, compared to 58,000 tonnes in September-December 1972 and 74,000 tonnes in the first four months of the last year. Because of lower exports, the production of carpet backing has also suffered, the figure for April this year being only 11,200 tonnes compared to the high level of 23,000 tonnes in July 1969. The total production of this item in the first four months of the current year was only about 52,000 tonnes compared to 76,000 tonnes in the similar period of 1972.

In 1969 carpet backing earned Rs 110 crores in foreign exchange but only Rs 92 crores in 1972. The jute industry had estimated some time back that by completely removing the export duty, we could earn, on an average, an additional foreign exchange of about Rs 10 crores per year during the next seven years and that export earnings could be stepped up from Rs 100 crores to about Rs 170 crores in 1980. It is not understood therefore why the government should continue to retain the export duty on this item. Perhaps, it may be abolished in the next few months but, as the Indian Jute Mi ls Association has pointed out, the piecemeal reduction in the export duty does not have any impact on business.

It is also difficult to appreciate government's inaction in regard to the export duty on hessian which forms about 14 per cent of the f.o.b. prices. The export of hessian has sharply declined from 488,000 tonnes in 1964 to 288,700 tonnes in 1970 and to 275,100 tonnes in 1972. Much of this fall was on account of the US market whose offtake of Indian hessian went down to 88,245 tonnes in 1970 and 82,800 tonnes in 1971, compared to 155,000 tonnes in 1964. The US consumption of hessian is estimated to have declined from 903 million yards in 1966 to 609 million yards in 1970, 503 million yards in 1971 and about 400 million yards in 1972. The jute industry had expressed its confidence in meeting successfully the competition from synthetics and from Bangladesh if the government helped it by removing the export duty. "Admittedly", said the IJMA, "the price difference between hessian, especially of the 40" 10 oz construction and polypropylene is large; but the industry is confident of retaining the market for certain brighter constructions, such as 7 oz. 7½ oz and 8 oz hessians, by isolating areas, commodity-wise in hessian usage, particularly specialities where operation of fixed prices should be practicable".

The industry however argued that it could draw up and operate a practical recovery plan for hessian only if it was relieved of the burden of export duty. For sacking also, the industry had suggested a programme for boosting exports. It had estimated that it would not be too optimistic to achieve an average annual export of 200,000 tonnes of sacking, or half of the mid-fifties figure of 400,000 tonnes which dropped to 48,000 tonnes by 1969. On sacking the export duty forms about six per cent of the f.o.b. price and its removal is considered to be essential to step up its exports.

It is significant to note in this context that the jute industry of Bangladesh has been able to revive rapidly. For example, the export of carpet backing from Bangladesh amounted to about 47,000 tonnes in 1972 compared to 40,000 tonnes in 1970. In 1971 the export of this item slumped to 29,000 tonnes due to the dislocation caused by the Indo-Pakistan war. The export of sacking by Bangladesh in 1972 amounted to 157,000 tonnes compared to 239,000 tonnes in 1969 and 83,000 tonnes in 1971. The prices offered by Bangladesh are estimated to be between 6 to 10 per cent lower than those of India.

In view of the increasing competition from synthetics and from Bangladesh, and the imperative need to maximise our earnings of foreign exchange, New Delhi could surely afford to be more generous and realistic towards the jute industry. Factors beyond its control like drastic power cuts, irregular supply of raw jute, frequent and excessive shipping freight, low productivity and labour troubles have been hampering the efforts to promote the production and exports of jute goods. The government therefore would do well not to cripple the industry's competitive capacity by delaying or denying further fiscal relief, especially in the context of the downward trend in exports, as shown in the table below:

Downward Trend in Jute Exports

Qty: '000 tonnes
Value: Rs lakhs

Year April/ March	Hessian	Sackings	Carpet backings	Others	Total	Value
1969-70	262.7	55.7	204.8	45.6	568.8	206.08
1970-71	268.2	86.5	153.8	50.5	559.0	189.92
1971-72	276.3	115.0	225.6	52.7	669.6	264.71
1972 April to Nov.	175.5	63.1	107.8	50.5	269.9	169.76
1971 April/Nov.	216.3	80.3	167.5	41.2	505.3	187.56

POINTS OF VIEW

A case of management failure

H. T. Parekh

CALCUTTA IS the industrial capital of India. The eastern region is rich in such natural resources as coal, steel, jute and tea. It is also rich and self-sufficient in essentials such as rice, fish and vegetables, which are the source of human sustenance, and in this Calcutta is better off than Bombay. The people are also gifted and possess many outstanding qualities. It is, therefore, an irony of fate that in spite of all these endowments, the development of this region has lagged behind the rest of the country, and is attributable to some extent, perhaps, to the partition of Bengal. The single most noticeable feature of this lagging growth is the staggering unemployment, particularly of the educated youth. The human suffering and distress which this involves is a matter of shame for all of us. We are allowing the most precious human wealth of the country to languish instead of putting it to full use. While the problem of unemployment is an all-India problem, in Calcutta it can be seen in its most aggravated form because here it particularly affects the educated youth.

gigantic task

Admittedly, this is a gigantic and complex problem but it demands from each of us an answer. We have lost enough time. It is leading to misuse and misdirection of energies, particularly of our young men and women. Easy solutions are put forward in the form of static concepts or theories of little value today. It seems to me that neither capitalism, nor socialism, nor communism provides the answer to this formidable challenge but only pragmatism can provide the solution.

Both the state government and the central government realise the urgency and immensity of the task and are no doubt doing something about this, but this is far from adequate. No government alone can solve this problem without the support of the people and particularly the business and entrepreneur community.

I think it would be well for us to appreciate that a beginning has been made by the state and central governments to tackle some of the immediate problems facing Calcutta. For example, the creation of the Calcutta Metropolitan Development Authority was a wise and a bold decision which has now begun to bear fruit because its yearly programme of public investment is steadily growing and its results are beginning to be felt.

Text of an address delivered to Bharat Chamber of Commerce, Calcutta, recently.

role of CMDA

The CMDA is encouraging now entrepreneurs by giving them contracts. Other major public works programmes such as the construction of the second Howrah bridge and the planning of an underground railway are also steps in the right direction because through this type of large public investment, considerable employment would be created and the industrial economy of West Bengal would get an added stimulus.

The decision of the government to set up the Industrial Reconstruction Corporation (IRC) to bring to life enterprises otherwise languishing, is also a major step, which is another aspect of public investment. This institution has already made an impact and brought hope to several small and large entrepreneurs by reviving idle units and restoring employment to many whose skills were otherwise going waste. The IRC is now acquiring valuable experience which would show how the problems of finance and of management and entrepreneurship are interdependent and inter-twined, and how difficult and complex is the course of development—whether it is a small enterprise or a large one.

The setting up of the West Bengal Industrial Development Corporation is also a major move through which the state government will be able to initiate many new industrial projects both small and large. This is an example of state entrepreneurship in industry and its leadership in the hands of a distinguished banker is another proof of government's anxiety to accelerate development.

needed: massive investment

However, these initial steps just touch the problem. What is required is a massive and continuing public investment on as wide a basis as possible in agriculture, industry, transport, power, all at the same time as a supplement to private investment which by itself is not enough. What I am referring to is public investment or investment of public funds, which is not the same thing as investment in public sector projects only, though that would form a large part of it.

For generating employment, investment has to be made irrespective of whether it is public sector or private sector or joint sector, whether it is small enterprises or large one, whether it is foreign controlled company or otherwise, whether it is dubbed monopoly or not. In fact, large-scale employment will only be generated when investment is made in all these directions at the same time in a determined and helpful way, without discrimination against what are today castigated as large houses, monopoly houses, foreign companies, etc. while at the same time giving special assistance to new entrepreneurs and small enterprises. This is how other countries such as Japan have achieved results. We have enough legislation to curb any undesirable activities of such units which can be suitably enforced.

Whether one likes it or not, several prevailing political prejudices which are coming in the way of employment and production, have to go before the government can succeed in its effort to create more jobs. This must be our first priority and it must be pursued with single-minded devotion. Without a liberal industrial and development policy, such as that followed during the decade 1956-65,

we will not be able to achieve results. The sound base of our economy today owes its origin to the policy adopted in those days.

A great deal is happening today to wipe out the unreal distinction between public and private sector. Various public companies in which government controlled institutions hold substantial capital have been taken over by the government for a variety of reasons but then handed over to competent and experienced people who were serving previously in private sector. For example, Indian Iron, Jessops, Richardson & Cruddas, are cases where welcome revival of industries is taking place with the infusion of new management and new capital, both private and public. We must compliment the government for its bold action and for its right selection of men with outstanding qualities who have taken up the work in a spirit of public service. Professional managers are increasingly put in charge of industrial enterprises and it is becoming less significant who owns capital. In fact a new national sector is emerging. Even in regard to capital, there are many misconceptions prevailing. Both the private entrepreneurs and the government depend largely on outside capital provided by the common man, directly or indirectly, through agencies such as banks, the Life Insurance Corporation (LIC) and the Unit Trust of India (UTI), by whatever names called. Neither the government nor private entrepreneurs can really carry on without the capital provided by the people generally and neither the government nor private entrepreneurs should assume that this capital is their property. They are really only trustees.

need for entrepreneurship

What is basic to the problem of development and employment is entrepreneurship more than finance. Entrepreneurship should be helped and encouraged wherever possible, both private and public. Particularly entrepreneurship by the self-employed deserves maximum encouragement. In recent years so much effort has been wasted in thwarting entrepreneurship. We should not allow our prejudices to come in the way of more employment. Private sector suffers from many types of shortcomings. Public sector also suffers different types of shortcomings. We have enough experience of both to indicate that neither is necessarily superior to the other. We must stress each other's strong points and respect each other if we wish to obtain positive results. We must eschew carping criticism or running down of each other, while doing our best to improve both. We should be tolerant of each other as they both also depend upon each other. We should not forget that politicians, bureaucrats, businessmen and workers are all made of the same Indian clay and no group should go about with any air of superiority over the other. Each of us has something special to contribute to the nation's well-being.

In regard to increasing avenues for employment, there are a number of established business houses who have management expertise, organisation, etc. Why should the government not induce them to use their keen managerial and organisational capabilities to develop new projects and give them necessary assistance to achieve results? If only their weaknessess are pointed out and on that they are kept out from new development, employment suffers in the process. We would be throwing the baby with the bath water. I greatly welcome the efforts which the chief minister of West Bengal and the government are making in this direction to force the pace of development through established firms and to save both time and resources. It is very heartening to know that action has already been taken and that a Projects Implementation Committee is in operation under a distinguished businessman. This is the kind of pragmatic approach which will yield results.

building construction

As an example of massive public investment giving rise to mass employment, I cannot think of any better direction than building construction, particularly new housing and rebuilding of old houses. It seems to me that Calcutta needs to be rebuilt as Delhi and Bombay are being rebuilt. The controversy about public and private sector here is also unreal. Building activity, both private and public, must be stimulated by making available funds from public sources, by giving suitable incentives in interest rates, by building subsidy and by creating housing boards for low and middle income housing and for slum clearance. Bombay provides an example of both public and private effort. The Housing and Urban Development Corporation has brought to bear a new initiative by building houses in Calcutta on a large scale and this is also a step in the right direction which effort should be further extended. A great deal more has to be done in this field which would be a fruitful source of new employment of both unskilled and skilled workers as well as educated youth.

I would like to conclude by stressing that our development problem is gigantic and complex. It can only be solved by a many-sided attack and by mobilising the skills or capabilities of every section of the community. Businessmen who are somewhat better placed have to show a new sense of social responsibility and not seek to exploit situations at the cost of the public. This also applies to workmen whose productivity must continue to rise as also their money wages so as to keep inflation under control. The government on its part must think less in negative terms and direct its effort to the positive problem of how to increase employment and production. Every form of entrepreneurship must be encouraged and then only will we begin to reap the benefits of real development.

shortage of essentials

Shortages of essentials of life and inflation of prices are today affecting the whole country, more than ever before since independence. That this should happen after four five-year Plans is a sad commentary on our management of the country's economy. This is perhaps proof of the fact that we have yet to learn of the complexities of the planning process. Planning is much more than spending, much more than just allocation of resources, It must mean economic use of resources, getting the best results out of spending. To the extent we have not been able to get it in one sense it is a failure of our management capability, the best example of which is the power problem affecting us today. We have perhaps set about to achieve too many objectives at the same time, without fully realising the inherent conflict in some of these objectives. Perhaps we have been carried away in our zeal.

However, this has forced a great deal of heart searching in Delhi and a serious rethinking in regard to our policies seems to be going on. A more pragmatic approach is evolving as indicated by the new industrial policy recently announced or as reflected in the revised policy in regard to expansion of the cement industry, or as seen in the more flexible approaches under the Monopolies and Restrictive Trade Practices Act. One can see a much greater drive and realistic handling of the current problems by

several of our central ministers who are bringing to bear a new vigour and dynamism and the power of their personalities. We must not minimise the difficulties of our government and the business community must place at the disposal of the government their undoubted talents. Businessmen are regarded as greedy and exploitative but they are also good managers, who have the capacity to use resources economically and who can get the best results. Though the government policies are today hurting them in many ways it is still their moral duty to give full support to the government in order that the lot of the common man improves and he is put to minimum hardships. We all have first to think of the common man.

Towards price stability: a new approach

Dr Subratesh Ghosh

THE REMEDIES originally developed in the advanced economies for fighting inflation were tried out in India also. The success however was limited. For several years now the rate of rise in prices has exceeded six per cent (at times even exceeding 10 per cent) in spite of monetary restraints accompanied at times by certain fiscal measures. The reasons of their failure—or extremely limited success—are not far to seek. In a country such as India with a large non-monetised sector, with considerable amount of subsistence production and with the existence of vast sectors in the production and distribution system which are not emanable to various control mechanisms the conventional measures for price-stabilisation (e.g., monetary, fiscal or physical control measures) are bound to have limited efficacy.

structural factors

The inflationary process in India often continues or is intensified through structural factors although demand-pull or cost-push forces also do play auxiliary roles. Without taking into account the structural factors, it is difficult to explain the persistent rise in prices in 1966-67 and 1967-68 when the industrial sector faced a recession and unemployment was widespread. It is also difficult to explain except through a structural inflation model how the considerable increases in output, as reflected in the index of agricultural production and consumption-goods production fail to bring about any reduction in the consumer-price index, although any shortfall in output—either agricultural or industrial—is immediately reflected in a rise in the price level.[1]

Now if the structural factors behind the inflationary price-rise in India is taken into account, the limitations of the monetary, fiscal or conventional types of controls would become apparent. Monetary and fiscal measures, of course, make their own contributions to price stabilisation but these should supplement the measures for structural changes or institutional innovations. The situation being fundamentally different from the west, new methods and approaches become indispensable to meet the peculiarities of the Indian economic situation.

helpful features

Coming to the institutional context of sustained inflationary pressure, it is clear that there are several features in our economy which are extremely helpful for the rise in prices which also cause inflexibility in prices going downward. The market-structure—whether in the manufacturing or in the distribution system—is essentially duopolistic and, in a few cases, monopolistic. The immature trade union movement of the country suffers from money-illusion and even the few enlightened leaders who may be there dare not change the emphasis of trade union action from the money-wage-bargaining to bargaining in term of real-wage improvement. The politically motivated and the articulate leadership may find the workers' misery in the inflationary situation quite suitable for political and narrow trade union ends. They are happy to 'fight' for increase in money-wages alone without giving due consideration to the price-level and the real-wage implications following their demand.

The employers too, in an inflationary environment associated with rising profit level, feel quite safe to raise the money-wages by agreeing readily to the trade union demands in the expectation that the burden can be more than passed on to the buyers of their products. The government finds it easier to allow the prices to rise continuously and to meet the discontent from time to time by periodic and partial revision of the salaries, wages and dearness allowances, rather than check the rise in the price level. The traders for obvious reasons, are too happy with inflation.

vested interests

Thus excepting the poor agricultural labourers, unorganised or less organised workers, unorganised white-collar employees and professional people, who do not have any profit-sharing bonus or cannot frequently go on raising the remunerations for their services through organised pressures, no other sections of the community, who can use the weapon of the organised pressure for furthering their own interests, appear to be seriously interested in controlling inflation. Although a vast section of the population including a large number of those who can partly share the gains of inflation—suffer on account of it, there appear to be important institutional vested interests in favour of inflation, rather than against it. The result is obvious. The implementation of anti-inflationary measures is slack and half-hearted. More efforts are made to find out the loopholes in the anti-inflationary measures than to give effect to them.

The evils of persistent inflationary pressures in a developing economy are too well-known to need repetition. Inflation redistributes incomes and alters the structure of income-differentials, often in a manner which is not conducive to economic development in an underdeveloped economy. The continuous erosion of

real income of wage-earners and fixed-income earners remains a source of permanent threat to industrial peace and tends to create social tensions of various types. Shortages, often artificial, become almost the rule rather than the exception. Corruption tends to spread like fire in a social climate of rising expectations. Unaccounted money is not only the illegitimate child of inflation, it also tends to reduce the propensities to save in the middle-income group as well as in the upper income brackets. The long-range planning becomes less and less real as the exact extent of inflationary-price rise can never be anticipated in a "fragmented" economy characterised with "multiplicisms". The planned targets set on the basis of the prices prevailing at the time of the formulation, tend to be more or more back-dated and unrealistic in the course of the five-year Plan.

As a way out, the broad strategy should be based on the search for built-in institutional mechanisms which would counterbalance the vested interests in inflation by the creation of vested interests in stability. The sections of the community which play a crucial role in the price-setting processes in a "fragmented" economy, should be made vitally interested in price stability. At least, their vested interest in the price-rise should be neutralised as far as practicable.

crucial role

Among the institutions which play such a crucial role in the pricing process of the economy, the government (including the public enterprises), the large-business houses in the private sector and the trade unions deserve special attention in this strategy. The government in a vast underdeveloped federal country such as India, should not be taken as a single entity. It rather represents a complex of decision-making and implementing authorities which need not necessarily have identical interests, short-term objectives or plans of action.

The union ministry of Finance and the ministry of Planning may have some interest in price stability and this may be shared to some extent by the ministry of Labour. But the decision-makers in various other "economic" ministries and departments as well as the top executives in the numerous public sector undertakings do not consider price stabilisation as part of their business. In their decision-making processes, they are guided primarily by their ministerial or departmental objectives and the potential or actual inflationary consequences of their decisions are hardly taken into account. This is in spite of the existence of mechanisms for centralised decision-making such as cabinet sub-committees and the Planning Commission. In reality most of the vital decisions affecting pricing are taken at the official levels without the least ministerial intervention.

sellers' market

With respect to the larger industrial houses in the private sector, at last the consumer goods producers appear to have some direct interest in the inflationary price rises. The investment goods and intermediate goods producers appear to have no direct interest. In spite of the fact that the inflationary process may set in motion demands for wage-increase from workers, these industrialists need not be much bothered so long as in a sellers' market the burden of the wage-rise can be passed on to the purchasers and so long as, in the cases of industries with "administered prices", the wage-rise can be presented as a strong excuse for upward revision of such prices. This latter process of induced price-revision of the capital goods and intermediate products, ultimately tends to push up the consumer goods prices through the linkage effect. The larger houses, therefore, have little stake in checking inflation.

In order to make the large industrial undertakings (which, for this purpose, should include all private sector undertakings having capital assets in excess of Rs one crore) and the public enterprises vitally interested in the control of inflation, a system can be created in which the dearness allowance from an agreed date should be frozen and the impact of any further rise in the prices of essential consumer goods and services entering into the consumption package of the employees should be borne by these employers. They would supply their employees these goods and services at the price prevailing in the base-period with effect from which the dearness allowance would be frozen. This would have a sobering effect on the consumer price level in two ways. Firstly, the anticipatory rise in prices of wage-goods, that occur whenever the central government, the state governments or the large undertakings in industrial towns announce any rise in wages or DA, would be checked. Secondly, the direct demand-pull effects, at least in industrial regions, (which later on spread to other areas) of these large doses of wage revisions would be much less, because the proposed system would cover a very large segment of organised workers.

Moreover, the immediate spending spree that is seen as soon as escalated wage revisions result in lump-sum cash receipts (mainly because they are often given with retrospective effect as is the case with Pay Commission awards or wage-board awards) would not occur under the suggested scheme. An additional benefit may be had in the form of the sobering influence that the large industrialists may have on wholesale traders, whose hoarding and cornering tactics have often been responsible for intensifying the price raising pressures. Under the suggested scheme, the price rise being damaging to their interests, the influential industrialists may join hands with the public to restrain the wholesalers and other traders from adopting anti-social measures to raise prices of essential goods.

cost-push effect

Although in an economy in which average wage-cost ratio for the organised industrial sector is around 17 per cent (in between 1960 to 1966, the ratio of total pay-roll costs to total input-costs including money-earnings fluctuated between 16.5 per cent and 17.4 per cent[2] and even in highly labour-intensive industries usually remained less than 26 per cent) the cost-push effect of wage-rise need not be exaggerated and the significance of integrating collective bargaining into the institutional framework for price-stabilization should be appreciated. For this purpose, I like to repeat the suggestion that was given in one of my earlier publications.[3]

To avoid the de-stabilizing effects of unplanned and casual wage bargaining on costs and prices, there should be a system of pre-Plan wage bargaining in each industry between the representatives of workers and employers to lay down the broad principles for wage-revision, e.g., the way the rise in wages be linked to the rise in productivity, the fixation of minimum rates of pay for the least-skilled workers, the revision of wage structure etc. The wages would not be frozen under this system, but would be stable in general and may move in an orderly and agreed manner during the period of the agreement

which would be broadly identical with the period of a national economic plan. The planners under such a system would be in a position to anticipate the extent of wage-rise which would be linked to the movements of certain other variables in the economy. They would then be in a position to take into account such movements while fixing their cost targets and outlays. This system would thus mean wage-discipline, instead of wage-freeze, and may form a suitable part of the wage policy in a developing economy, without affecting the freedom of collective bargaining and the trade union's role in the latter.

In conclusion, the efficacy of fiscal, monetary and physical control measures for fighting inflation having been limited in the past, new measures, taking into account the institutional context, are warranted for price-stabilisation in India. For this, an approach based on a freeze on dearness allowance and protection of real consumption is advocated, supplemented by pre-Plan periodic collective bargaining for setting down the general principles of wage-revision in each industry. It is expected that the first measure would create the strategic groups more interested in price-stabilisation. The second proposal, on the other hand, would reduce the disturbance occurring from unplanned trade union demands for wage revision. Wage discipline may then substitute haphazard wage revisions and may make the wage-changes much more orderly, systematic and consistent with the broader planning processes at work.

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Changes in the urban population in India

N. C. Bharadwaj

THE STUDY of urbanisation is assuming increasing importance all over the world and more so in the developing countries. An increase in urbanisation is closely linked with industrialisation or over-all economic development. The continuous shift of the rural population to cities for employment in the non-agricultural industries is one of the essential conditions for economic progress of a country. The migration of rural folk to cities is revolutionising life mainly in the agrarian countries. An understanding of the inter-relationship between urbanisation, economic growth and social change and the causes and consequences of urbanisation is therefore essential for their economic and social planning and policy making. It is important to examine the changes that have taken place in the growth of urban population in the country in the decade 1961-71.

Following the reorganisation of the states in 1956, it was considered desirable, on the eve of 1961 census, to start a base line to determine India's growth of urban population. Thus, in spite of the decrease in the number of towns and cities in 1961 from 3,057 to 2,690, the total urban population increased from 62,276,729 in 1951 to 78,835,939 in 1961.

Table I shows that in the degree of urbanisation India occupies a fairly low position. Although in absolute numbers the total urban population amounts to 108.8 million, which exceeds the total population of such countries as the UK, Canada, France, Japan, Egypt, Sri Lanka and Pakistan, yet only 20 per cent of the total population lives in the urban areas. In the UK 79 per cent of the population lives in urban areas. In Canada 74 per cent, in France and the USA 70 per cent, in Japan 68 per cent, and in the USSR 56 per cent of the total population lives in the urban areas.

The 1971 census has revealed that Maharashtra is the most urbanised state with 31.2 per cent of its population living in urban areas. This is followed by Tamil Nadu with 30.1 per cent and Gujarat with 28.1 per cent of the population living in urban areas. West Bengal, Mysore and

TABLE I

Proportion of Urban Population to Total Population of a Few Countries of the World

Sl. No.	Country	Date of last census or estimated available	Total population	Total urban population	% of urban to total population
1.	UK	1-7-68 (E)	48,593,000	38,324,530	78.87
2.	Canada	1-6-66 (C)	20,014,880	14,726,759	73.58
3.	France	1-3-68 (C)	49,755,780	34,814,660	69.97
4.	USA	1-4-60 (C)	179,323,175	125,283,783	69.86
5.	Japan	1-10-65 (C)	98,274,961	66,918,621	68.09
6.	USSR	1-7-69 (E)	240,571,000	134,357,000	55.85
7.	Egypt	1-7-69 (E)	32,501,000	13,534,000	41.64
8.	India	1-4-71 (C)	547,367,926	108,787,082	19.87
9.	Sri Lanka	8-7-63 (C)	10,590,060	1,997,930	18.87
10.	Pakistan	1-2-61 (C)	90,282,674	12,254,730	13.57

(C) refers to census date, (E) estimated date.

Punjab are very close to the 25 per cent mark. Higher industrialisation in the states of Maharashtra, Tamil Nadu, Gujarat, West Bengal, Mysore and Punjab has brought about greater concentration in the urban areas. Eight states, namely Andhra Pradesh, Jammu and Kashmir, Haryana, Rajasthan, Kerala, Madhya Pradesh, Uttar Pradesh and Bihar have recorded between 10 and 20 per cent of their population as urban. Himachal Pradesh has been reported to be the least urbanised state with only 7.1 per cent of its population living in urban centres. The other states with less than 10 per cent urban population are Orissa (8.3 per cent), Assam (8.4 per cent), and Nagaland (9.9 per cent). This .shows the relative lack of economic progress of these areas.

ranking of states

Punjab which ranked fifth in 1961, has shifted to the sixth position and Mysore which stood sixth earlier with 22.3 per cent now ranks fifth with 24.3 per cent of its population living in urban areas. Similarly Jammu & Kashmir has changed its place with Haryana. Creditably Nagaland with 166 per cent growth rate of urban population has ascended to the fifteenth rank with 9.9 per cent from eighteenth position which is now occupied by Himachal Pradesh having gone down from the sixteenth position. Assam moving down by one place now occupies the sixteenth position as against the fifteenth in 1961.

There can be no comparison of the union territories and other areas with the states. The union territories such as Chandigarh and Delhi are almost entirely urban with 90.7 per cent and 89.8 per cent respectively of the total population living in urban areas. However, the least urbanised among the union territories and other areas is NEFA with only 3.12 per cent of its population living in urban areas.

The union territory of Chandigarh which occupied the second place in 1961 with 82.80 per cent, has now moved to the first place with 90.67 per cent of urban population, relegating Delhi to the second place with 89.75 per cent, which a decade back ranked first with 88.75 per cent urban population. Goa which ranked fifth with 16.06 per cent has moved to the fourth position with 26.30 per cent. Manipur has moved from the eighth position to the sixth with 13.25 per cent. The union territories of Andaman and Nicobar, Meghalaya and Tripura have each lost one position during the decade 1961-71. The third position has, however, been retained by Pondicherry.

It will be interesting to know how the urban population has been distributed among the towns of different population size classes. The census has graded urban areas into six classes according to the size of the population.

It is evident from the Table II that it is the large-sized Class I towns, generally referred to as cities, which account for more than half of the urban population. More than 50 per cent of the total urban population, 52.41 per cent to be exact, lives in cities of population size 100,000 and above. Of the remaining, 17 per cent lives in Class III towns and 12 per cent each in Class II and Class IV.

Even in the earlier censuses, i.e. 1951 and 1961, the largest proportion of urban population was accounted for in Class I towns. The number of cities has increased from 81 in 1951 to 131 in 1961 and to 142 in 1971. Although the high rate of growth in the cities has been responsible for the increase in population, yet the more important has been the fact that the towns which lay at the margin, with slightly less than 100,000 population and hence belonged to Class II at the earlier census, had jumped to Class I. The proportion of urban population contributed by Class II towns has almost remained constant since 1951. The number of towns has shown a marked increase from 102 in 1951 to 198 in 1971, although the proportionate contribution to urban population remained roundabout 12 per cent. The main reason had been that many of the larger towns coming previously in this class had attained the status of Class I towns in the succeeding decade. The proportion of population accounted for by the smaller towns of Class IV and below has shown a downward trend after each decade. Thus the urban population of Class V towns which stood at 13.20 per cent of the total urban population in 1951, fell to 5.24 per cent in 1971. Similarly, the Class VI towns which had 3.22 per cent of the total urban population in 1951, had only 0.80 per cent in 1971.

It is not only the percentage of urban population that has been gradually falling, but even the total number of towns of Class V and VI has shown a decreasing trend. Their number fell from 1158 in 1951 to 756 in 1971 in the case of Class V towns and from 599 to 277 in the case of Class VI towns, while the total number of towns in the case of other classes has generally recorded a considerable increase from census to census.

The percentage growth rate of urban population has been reported as 37.83 during the decade 1961-71. In eight states the growth rate has remained below the all-India level—ranging between 25 per cent to 35 per cent. The highest rate of growth of urban population during the decade has been reported from Nagaland with 166.59 per cent. This is followed by Orissa with 63.52 per cent. The lowest growth rate of urban population has been reported from Punjab with 24.92 per cent. But in the case of union territories, except Tripura, which ranked the lowest with 18.23 per cent growth rate, all others have shown a growth rate higher than the all-India level. The union territory of Chandigarh has recorded the highest rate

TABLE II

Number of Towns and Population Contributed by Each Group

Classification of towns	1951		1961		1971	
	No. of towns	Per cent to total urban population	No. of towns	Per cent to toral urban population	No. of towns	Per cent to total urban population
Class I towns (1,00,000 and above)	81	41.77	113	48.37	143	52.41
Class II towns (50,000—99,999)	102	11.06	138	11.89	198	12.15
Class III towns (20,000—49,999)	353	16.73	484	18.53	617	17.36
Class IV towns (10,000—19,999)	630	14.02	748	13.03	931	12.04
Class V towns (5,000—9,999)	1158	13.20	760	7.23	756	5.24
Class VI towns (less than 5,000)	599	3.22	218	0.95	277	0.80

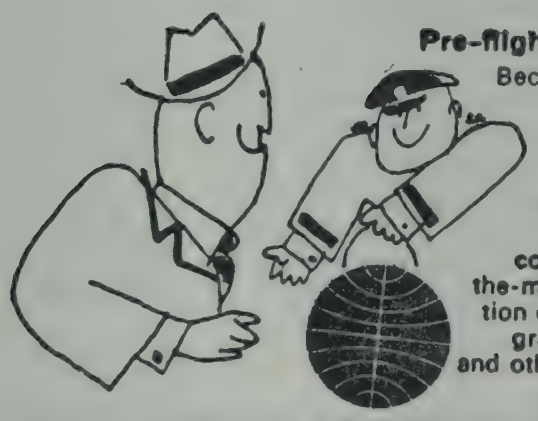
Source : Paper I of 1971, supplement to the Census of India, 1971; Pp. 8-11.

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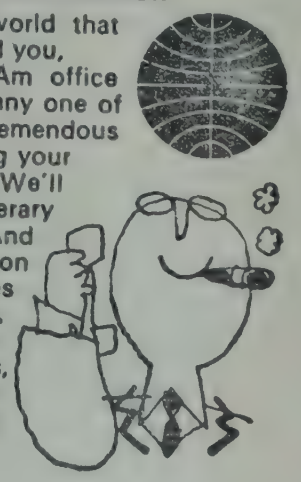
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of growth being 134.74 per cent. More than hundred per cent growth rate has been reported from four union territories, namely, Chandigarh, Goa, Daman and Diu, Manipur and Pondicherry.

Surely it is the larger town which show higher growth rate. The overall growth rate in Class I towns during the decade has been of the order of 49.35 per cent. In other words, the population of Class I towns in 1971 has become one and a half times what it was 10 years earlier. A sizeable addition of 18.8 million people during the decade is remarkable, although it includes the population of all those towns which have newly acquired the status of cities. This is followed by Class II towns with 40.86 per cent growth rate and a total addition of 3.8 million people to the urban population. In the case of Class III towns, although the total addition to the urban population has been 4.3 million, the growth rate, in this class during the decade was only 29.10 per cent. It is only in the case of class V towns that the growth rate has been in the negative (—0.09 per cent).

It can, therefore, be inferred that the location of industries, the potential of employment and the concentration of services in the larger cities and towns continue to draw the people from the neighbouring rural areas as well as other urban towns. People from the surrounding areas migrate to the cities hoping to find employment opportunities there. This implies that these large centres are still expanding in industrial and commercial activity, claiming at the same time a larger share in construction activities, public amenities and transport services.

Difficult days ahead

Sagittarius

THE FAVOURABLE trends in our country's foreign trade in 1972-73 were extremely helpful in averting a crisis in the balance of payments position which would have otherwise taken place towards the close of last year. For the first time in recent memory exports exceeded Rs 1800 crores and with a net decline in imports as compared to 1971-72, a surplus of Rs 152 crores emerged. Even allowing for some portion of this surplus which represented unrequited exports to Bangla Desh, it is roughly estimated that about Rs 100 crores was earned in foreign exchange through a net export surplus. If there had been a gap of Rs 150-200 crores with a higher level of imports and no big bulge in exports, it would have been necessary to meet a trade deficit resulting in a gap in availability of foreign exchange resources of nearly 300 million dollars.

standby credit

If this contingency had arisen the government would have been obliged to use the standby credit from the International Monetary Fund besides running down available foreign exchange reserves and possibly postponing some debt repayments. The balance of payments position would have been really unmanageable as at the meeting of the Aid India Consortium in June last year the gross assistance secured was roughly $800 million. It is no doubt true that the members of the consortium agreed to provide gross assistance of $1200 million including debt relief of $ 150 million. But the US government agreed only to provide debt relief for $29 million besides releasing $87 million of frozen aid. There were no authorisations about fresh assistance for 1972-73 as India was not anxious to give the impression that it badly needed US aid while the US government did not want to take any initiative on its own pending a definite improvement in Indo-American relations.

foreign balances

It was therefore not surprising that foreign balances held by the Reserve Bank in the Issue and Banking departments declined from Rs 420.82 crores on March 31, 1972, to Rs 376.02 crores on March 30, 1973. The repayment obligations were met in full as it was not necessary to utilise aid for financing imports. Some aid in the pipeline was also helpful apart from efforts to effect larger imports from rupee payment areas. Even with food imports on a commercial basis of nearly 1.7 million tonnes up to the end of May, foreign balances held by the Reserve Bank excluding gold coin and bullion had risen to Rs 406.43 crores on June 8, 1973. It is not clear whether payments against imports of grain have been fully made or whether special arrangements have been concluded which are still undisclosed.

Even with a fairly comfortable position it would have been difficult for the government to finance fresh imports of two million tonnes of foodgrains and also a larger quantum of crude oil, petroleum products, fertilisers, steel, etc. It is pertinent to point out in this context that grain prices in the overseas markets have risen sharply since the earlier purchases were effected while crude imports are dearer by 25 per cent if not more. There is also a worldwide scarcity of fertilisers, newsprint and other items and the required supplies can be secured only if higher prices are paid. It is quite likely therefore that imports will rise to Rs 1,900 crores or even Rs 2,000 crores in 1973-74 because of the exceptional outlay on foodgrains while it will be a great achievement if exports are maintained at the level of 1972-73.

no stalling over

Luckily it has been decided at the recent Paris meeting that gross aid consisting of non-project aid of $700 million and debt relief and project aid of $500 million, or $1200 million in all, should be committed by all members of the consortium in respect of 1973-74. There was no serious wrangle about the quantum of aid or stalling over what should be the extent of debt relief. Though a representative of the US government was understandably unwilling to indicate the quantum of assistance that would be forthcoming from his source, it is generally expected that the anticipated aid of about $400 million would be available after bilateral negotiations had taken place. The government of India also may make suitable moves which will be helpful in resuming aid from the USA and ensuring that net aid of $ 400 million at least is available for financing imports. In case of

this quantum not being received, there will have to be heavy withdrawals from reserves and the value of gold holdings even revised upward in order to give the impression that there had been no big drop in aggregate foreign exchange reserves.

Upto now the Reserve Bank has not made any attempt to raise the value of gold coin and bullion because of a feeling that it would be only a window-dressing operation as there may not be any real parting of gold for adjusting payments deficits. The fact nevertheless cannot be overlooked that even on the basis of the revised US dollar price for gold there is an appreciation of Rs 35 crores in gold holdings over book costs while it is much more if the open market price is taken into consideration. In this sense a strong hidden reserve is available for meeting unexpected contingencies.

The occasion for dipping into foreign exchange reserves in a big way may not arise if gross aid of $1200 million is fully received. The actual amount in terms of US currency may be much more as West Germany, France, Japan and others have promised to increase their allocations in dollars for offsetting the adverse effects of devaluation. But there will still be some disability arising out of higher prices and the effectiveness of aid may be less by 10 per cent. It may be said therefore that about $300 million or Rs 225 crores will be available for bridging a balance of payments gap which may also be roughly equal to the trade gap that may arise in the current year. If these expectations turn out to be correct it may not become necessary to reduce foreign exchange reserves significantly. On the other hand, if there is a favourable monsoon and a smart recovery in agricultural and industrial production a strenuous effort can still be made to minimise the trade gap referred to above. However, even taking the worst prospects into consideration the latest indication that gross aid of $1200 million will be easily forthcoming and some arrangements might also be made for obtaining special credits to finance food imports would place the government in a comfortable position and make it feel confident when formulating new import policies.

Save with grace

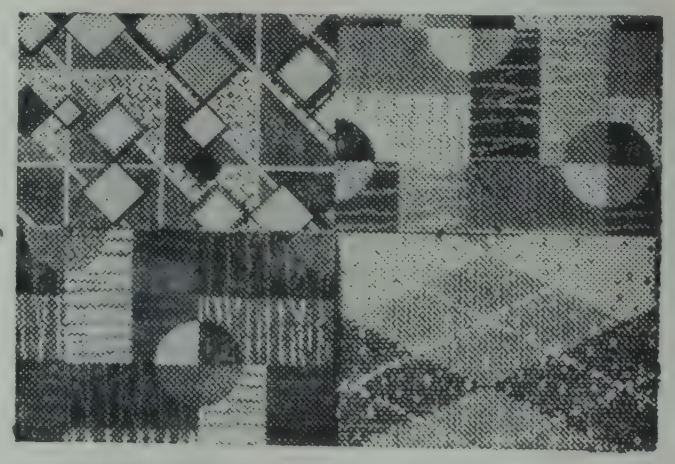
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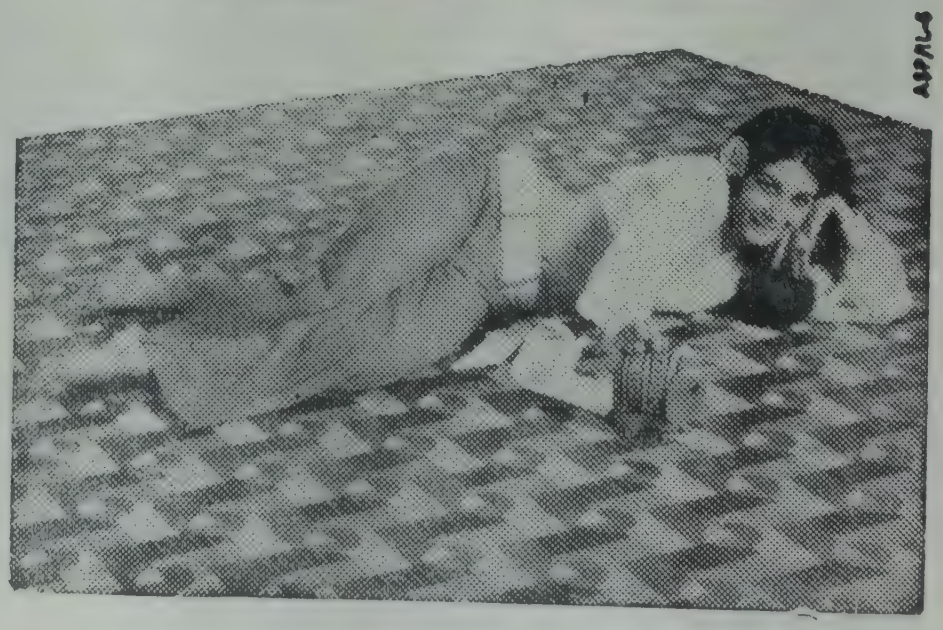
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WINDOW ON THE WORLD

I

Set Fairin the UK

THE UPSURGE in the market price of gold reflects the weakness of the dollar, which itself is mainly due to the Watergate affair and a growing lack of confidence in President Nixon's administration. This lack of confidence, as the behaviour of Wall Street suggests, is particularly noteworthy in the economic field. There are clear signs, with a sharp rise in capital investment plans now about to reinforce the continuing strength of consumer demand, that the US boom may get out of hand. Retail prices (with food prices, there as in the UK playing an important part) have recently been rising at an annual rate of about nine per cent. It is for this reason that the administration has now lost the support of organised Labour, which did much to make a success of Nixonomics Phase Two; and although the Congress has renewed the President's special powers to check inflation—which he has promptly used to restore compulsory pre-notification of price increases by large companies—he cannot look to it for much co-operation in reducing the level of public expenditure.

While the hasty US retreat from voluntary restraint in Phase Three of its anti-inflation programme has made it more probable that Phase Three in the UK will have to be backed by reserve powers of compulsion, the weakness of the dollar at a time when flows of hot money into most financial centres are severely discouraged has kept the exchange rate of sterling almost embarrassingly high. It is the more noteworthy that already, with preliminary discussions about the shape of Phase Three scarcely begun, there have been widespread suggestions that the current rate of UK economic growth can not be sustained and must soon be reined back. The argument for this gloomy prescription is that the five per cent rate of growth which the government has now more than achieved, and has undertaken to maintain until the first half of next year, is well above the average growth rate of UK productivity in recent years and can therefore last only as long as there is spare productive capacity to bring into operation. With a revival of stockbuilding and a belated upturn in fixed industrial investment now superimposed on buoyant consumer demand, it seems only too likely to sceptics—who have observed the failure of previous efforts to push the economy on to a steeper growth path that the economy will soon be stretched to capacity and that any attempt to control inflation will then be unavailing.

The sceptics emphasise three facts: the rapid fall in unemployment over the past few months (and the corresponding rise in the number of unfilled job vacancies) the scattered reports confirmed to some extent in the latest Confederation of British Industry's survey of the business outlook) of labour and raw materials shortage, and the jump in the bill for imports. The CBI, in the reply, relies mainly on the disastrous results of disturbing business confidence and the overdue surge in capital investment plans (BLM and GKN are only two of the largest and best-publicised examples) which it is now causing: it is looking to increased labour productivity to fill the gap untill this is productive. The Chancellor has so far contented himself with the ambiguous declaration that the problems which face us now are those of prosperity.

optimistic view

Personally, however, I lean to the optimists who believe that UK industry is at last seizing its opportunity and that growth will be maintained at its present pace as long as possible: the main force of the sceptical case is that a moderate brake on demand now is better than a more violent and damaging brake later on. So far as the balance of payments is concerned, the optimists can argue, a temporary worsening normally goes with a business upswing and can readily be financed by drawing on reserves or borrowing abroad—as local authorities and national industries have been doing on an increasing scale since the restoration to them in the budget of forward exchange cover. So far as capacity goes, the latest CBI survey shows more resources of plant and labour still unused than at the peak of previous cycles: the Bank of England's estimates of capacity working give a similar picture; and the National Economic Development Office has calculated that there should be few serious bottlenecks to impede the growth of output in the immediate future, even though it will probably have to decelerate in 1974.

Apart from the risk of an excessive pressure of overall demand on productive capacity, however, there are two particular aspects of the present economic situation which give grounds for anxiety. The first is the high level of private and public consumption demand. The latest statistics suggest that private consumption was rising in the first quarter of 1973 at a rate of more than 10 per cent a year, or about double the rate forecast at the time of the budget; the retail sales figures for March show an even sharper rate of growth in consumer expenditure on goods other than food. No doubt these figures are distorted to some extent by the last-minute rush to buy in anticipation of the Value Added Tax (the sudden rise and

equally sudden drop in withdrawals of building society deposits points in the same direction), but consumer spending forms too high a proportion of total demand for a rise as steep as this to be left unheeded. The principal arguments (apart from the special factor of VAT) for believing that the rise will slacken of its own accord are the growing burden on consumer incomes of the recent increase in mortgage loans, hire purchase advances and other forms of credit and the fact that there are many price increases to be passed on partially to consumers—the average prices paid by UK industry for raw materials and fuel rose by 17 per cent in the six months to end-April—even during the course of Phase Two.

troublesome aspect

But the trend of prices is itself the second troublesome aspect of the present situation. The freeze worked well enough on domestic prices, but the prices of imported raw materials and fuels have been greatly increased not only by the devaluation of sterling but by a world-wide rise in the price of many other commodities besides beef and wheat. The terms-of-trade (the ratio, that is, of average export to average import price) moved steadily in the UK's favour from 101 in 1969 to 112 in mid-1972; by March of this year, however, they had fallen back to 100—and that was before the latest increase in oil prices. From a medium-term viewpoint, no doubt, this movement represents an increase in the foreign exchange income of primary producing countries and therefore in their ability to import manufactured goods. For the immediate future, however, it implies a larger balance of payments deficit than was expected (the visible trade deficit during February-April was running at an annual rate of $1,300 million and the overall deficit at about half this rate) and the need to earmark a larger proportion of home production for export. Any drop in the sterling exchange rate from its present artificial level would make this problem worse.

Even if the government rejects the case made by the more hardened sceptics, it faces the need to reduce the growth of private and public consumption spending to make room for an increase in stock-building and productive investment, and then to reduce it again to make up for the fact that the upswing in business activity has coincided not only with a drop in the exchange rate but with a world-wide rise in raw material prices. It can make only limited use of the price mechanism in bringing about this result, moreover, if the discussions about Phase Three are to reach any consensus of opinion. Formal negotiations have yet to begin and may not take place on the former tripartite basis until late summer, but it has already been stated on behalf of the government that "anything can be raised, anything can be examined, nothing will be ruled out of order". The TUC, responding promptly to this offer, has added a whole series of demands—ranging from abolition of the "lump" in the building industry to a resumption of traditional methods of credit control—to the social concessions it sought (and obtained in part) last autumn.

How far the government is prepared to go towards meeting the TUC is not yet clear, though it has already made encouraging noises about amendment of the Industrial Relations Act and the introduction of threshold agreements and set a precedent, which the TUC will not overlook, by subsidising not only the services provided by the nationalised industries but the cost of house-purchase and the price of butter. The secretary of the TUC, Mr Feather, for his part, has already made it plain that the TUC first brought up the idea of threshold agreements to force the government to control prices, that a national understanding about the rates of pay appropriate to different jobs is unlikely to be reached, and that the rise in import prices makes it all the more necessary to avoid regressive internal policies—sound enough stuff, from the TUC point of view, were it not for the fact that Mr Feather is due to retire before Phase Three comes into operation.

public consumption

The TUC would probably be more prepared than the CBI to stomach some restriction by way of credit controls, if necessary, on the growth of personal consumption. But public consumption comes logically first. "If circumstances warrant it", as the Chancellor said in his budget speech, "public expenditure should be cut back. Effective action requires proper preparation, with continued need for contingency work"—which has presumably been undertaken. The financial effect of the public sector has so far been obscured by the building-up and subsequent unwinding of non-bank positions in certificates of deposit, but must clearly tend to increase the money supply unduly. The economic effect of a sharp increase in public expenditure on goods and services, however valuable while the economy was still stagnant, is not only to increase the pressure on scarce resources. The cuts just announced of £100 million in 1973-74 and of £500 million in 1974-75 have been hailed throughout the financial press as a "stitch in time". Britain remains on course for an "economic miracle".

II

The International Situation

As 1973 opened, economic activity was at high levels throughout the western world, although in most European countries, and Japan, investment was still relatively weak. By contrast, imbalance in international trade was intensifying, despite the December, 1971, exchange rate realignment. New uncertainties were hovering over the future of the international monetary and economic system.

The monetary crisis started with the introduction of a dual foreign exchange market in Italy and the float of the Swiss franc. At first, it seemed less disturbing than its predecessors; however, it quickly became clear that the December, 1971, agreement had been sapped at the base. A further dollar devaluation seemed unavoidable, or alternatively a revaluation of European currencies. In the upshot, the USA devalued by 10 per cent. At the same time, more currencies were set afloat, dislocating the international monetary system "once and for all" in the opinion of the Societe Generale.

Despite the succession of crises, co-operation in the monetary field and the general concern to preserve economic growth has made it possible so far to avoid decisions which, says the bank cryptically, "could have unforeseeable economic consequences". Nevertheless, the existence of a dominant economy in serious external imbalance, and therefore an unstable international standard of value, has inexorably led to the growth of controls on capital movements. The risk that controls may be extended to trade is great: current negotiations on exchange parities are a veiled form of it. Protectionist views are being freely expressed in the USA and the Tokyo trade conference will have many obstacles to overcome.

Uncertainties on this scale create a poor climate for investment and hinder the struggle against the inflation which has been assuming disturbing proportions in Europe. Although the prospects for 1973 are still good, with most western economies expected to grow by at least five per cent, the longer term outlook is clouded by the persisting crisis that has overhung the economic scene for too long.

Expansion accelerated further in 1972 in the USA; production in the fourth

quarter was rising at an annual rate of 12 per cent. All components of final demand are expected to rise further. Production in Japan rose by 10 per cent, twice as fast as in 1971, and, stimulated by rising consumption, government expenditure and sustained export growth, should rise still further.

Activity levels are also rising in Europe, although the trend of investment is disappointing, except in France, where it has improved despite political uncertainties. French economic activity generally has expanded rapidly: industrial production rose 6.2 per cent in 1972. The UK economy has been brought around. At the end of 1972, it was rising at an annual rate of 10 per cent and is still well over the five per cent target although almost wholly sustained by consumption. In West Germany, foreign and home demand have strengthened and production is rising again after a period of stagnation. Recovery in Italy is still uncertain and depends on the settlement of the current bout of social unrest.

The 1972 US balance of trade deficit was thrice as great as in 1971, because of domestic expansion and higher imports which cost more, following the first devaluation of the dollar (which seems to have had little immediate effect in raising exports). The same is true of the UK, whose import costs rose following devaluation—over and above the disturbances caused by the dock strike.

In Japan, higher imports have been more than offset by rising exports which remain very competitive despite the revaluation of the yen. Japanese-US trade accounts for more than half of the record trade surplus which, however, has levelled off in the past few months. The West German surplus is also due to good export performance. The end of the year saw France's cover rate standing at 105 per cent (imports CIF exports FOB).

The upward creep of US interest rates continued despite all efforts. This, together with dollar's recovery in the second half of 1972, left some elbow room for the European monetary authorities in their anti-inflationary policies. Rates strengthened in West Germany from July on, and in France from September. They eased slightly in January, possibly because of a temporary movement in bank liquidity, but then rose anew. The dollar crisis led, however, to an abrupt fall in rates on the West German market in mid-February bringing rates down to ¼ per cent by the end of the month. In Japan, 4.5 per cent has been the going rate for more than a year. Rates in the UK have risen considerably as part of the struggle to thwart inflation and defend sterling.

The introduction of a dual foreign currency market in Italy set off a crisis which culminated in the devaluation of the US dollar on February 13. In little more than a year, the whole Smithsonian structure of parities has been destroyed, and currency values have moved in different directions using different mechanisms. The UK ceased to support sterling in June, and the £ has since floated downwards until recently when the opening of the Watergate sluices began to swamp the dollar and float the £ embarrassingly to the crest of the flood. Switzerland and Japan has stopped taking in dollars even before the devaluation and, together with Italy, had floated their currencies. The DM and the commercial franc have been kept at the same gold parity, raising their dollar parities by 11.1 per cent, while the French and Belgian financial francs have continued to float. The fixed parity system for major currencies has, in the view of the influential Societe Generale, had its day.

Sources and acknowledgements: Section I summarises the latest assessment of the UK situation issued to its clients by the Ionian Bank (64 Coleman Street, London EC2R:5BD), while the remaining sections draw on the latest *Economic Digest* issued by the Societe Generale (29, Boulevard Haussemann, Paris 9), which, with 2,000 branches dotted around the globe, is one of the world's biggest banks. Neither bank is, however, responsible for the emphasis of my summary, nor for my interspersed comments based on a variety of sources.

The haunting spectre of inflation

E. B. Brook

Vienna

No one could say that the present times are reassuring. The price of gold has been rising almost uncontrollably while the exchange value of the US dollar sinks equally irrevocably. There is dissension over aims and methods in the Common Market, the US President remains under an unpleasant cloud of suspicion the target of daily calumny in his own country and appears to neglect the badly-needed anti-inflation policies to halt price rises* that are becoming a regular feature of American daily life; just as surely as is the case in almost every country in west Europe.

Inflation—a technical term that means the money in your pocket and bank account is worth steadily less and less—was at the top of the agenda of the Ministerial Council of the OECD (Organisation for Economic Cooperation and Development) in Paris with an average increase of eight per cent for European members this year compared with 6.6 per cent in 1972 and 6.7 per cent in 1971. For all OECD members the rise in prices for the twelve months ended April this year was 6.6 per cent compared with 4.8 per cent in 1972 and 5.3 per cent in 1971. If you want to be nearly ruined in Europe live in Iceland which had a 16.6 per cent rise in prices last year or only about half as badly hit come to Austria and Switzerland where prices rose in the last 12 months by a relatively trifling 8.4 per cent. To be really happy one needs to live in Australia, which kept its price rise to 5.7 per cent and appears to stay there whereas the USA, with a relatively favourably slow price rise of 5.1 per cent is now rapidly facing increased prices regularly every month. Prosperous federal Germany is warned that it will soon be struggling to control an overheated economy and that price rises will continue throughout the year. The anti-inflationary measures announced early in May from Bonn are not expected to become effective till the end of the year and they will need simultaneous and supporting action by other countries within the Common Market of which at present there is not much sign.

Nor is that the end of the tale of woe. International monetary reform experts who met late in May in Washington, the 20 deputies' committee of the International Monetary Fund, have been obliged

* This dispatch came before President Nixon ordered the 60-day price freeze on June 11. For details see 'Trade Winds'.

to postpone till mid-July their efforts to find a basic outline for a new set of rules to guide the world's monetary system. Emergence of any agreement is going to be a slow business since most, if not all, nations are lined up solidly against the USA which wants gains or losses in reserves to be used as a trigger to force changes in parity. Under this system, a country with a "disproportionate" increase in reserves would be expected to revalue its currency. If it did not do so the country would be subject to international sanctions, such as a surcharge on its exports. Other countries consider this US plan implies a surrender to national sovereignty. Long, difficult negotiations appear to lie ahead for the IMF's committee of Twenty to develop the mechanism to oblige nations with surpluses to bring their accounts into better balance and there is little prospect of agreement having been reached in time for firm agreed proposals to be placed before the meeting of the IMF in Nairobi in the autumn.

disappointment on textiles

Even more disappointing, especially for states such as India and Hong Kong, is the failure so far of the GATT working party on trade in textiles to agree on the outlines of a long-term arrangement covering all textiles. The lack of a firm formula was due very largely to an unwillingness on the part of the Japanese delegation which seemed to lack a sufficiently clear brief. The Common Market's position was also far from clear and the Market appears willing if not anxious to allow the USA do most of the insisting on a long-term agreement. Both Hong Kong and Brazil gave the impression they would rather have a firm multilateral arrangement than a network of bilateral agreements and GATT itself seeks to identify about a dozen main points—including liberalization, criteria in market disruption and multilateral surveilance by a special GATT committee—which are likely to be discussed further late this month.

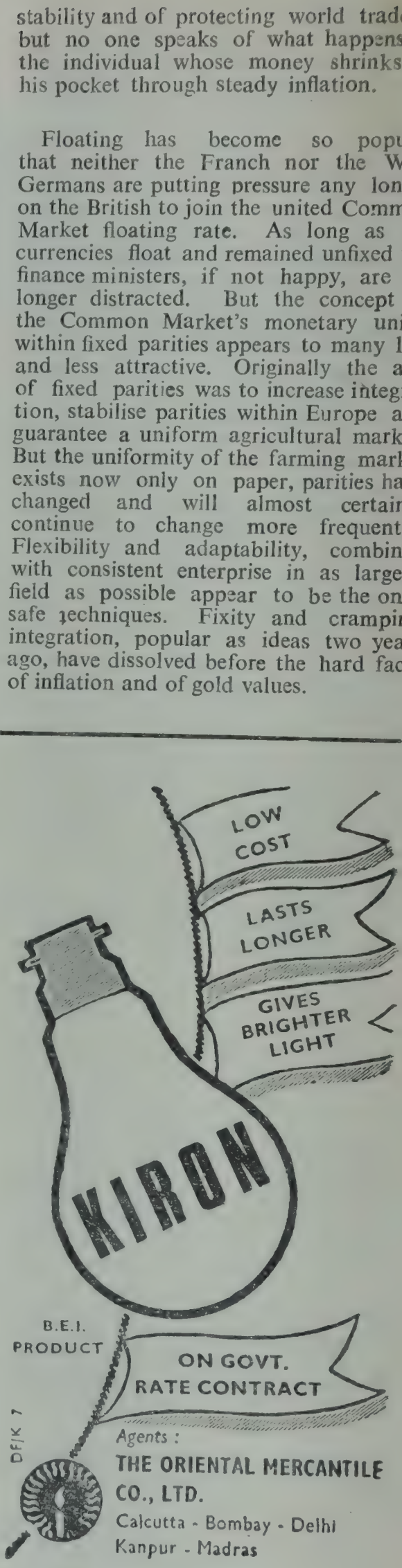
To end, approximately, the tally of perplexities—the Common Market's butter mountain is beginning to build up again even after selling 200,000 tons of it to the Russians at the knock-down price of 8p a pound. Having presented the Russians with a bargain the Market is in a weak position to refuse a demand from Iran for 5,000 tons at the same dismally low price. The Market's commissioner responsible for its farm policy has told the European Parliament in Strasbourg that failure to solve the butter problem would be a "deathblow to our institutions." To Europeans, worried everywhere by rising prices, it is particularly irritating to see its butter almost given away in mass but the sickness goes far deeper than annoyance. The fact is that the average continental farmer in Europe is a poor fellow, working uneconomically with fewer than 10 cows but producing milk and butter as the cheapest and by far the most rapidly produced saleable goods. As a result the Common Market's agricultural policy is essentially a welfare, not an economic, policy to keep uneconomic farmers from ruin and to keep their tempers sweet as voters. A wholesale reduction in the number and rationalisation in the structure of European farms appears to be the only answer and one that no one will have the political courage to undertake.

The most urgent of all these problems is the price of gold. While the high price of gold on the free market has strengthened the Nixon administration's conviction that the monetary role of the metal should diminish, the French are unrelenting in their pressure on the US authorities to intervene in support of the dollar and prevent a further devaluation. Just as France sees no reason to contribute one franc towards the cost of keeping US forces in Europe it sees no reason why America's partners should pay for the weakness of the dollar. The French ignore the fact that the dollar has been fighting back and President Nixon would help matters immensely if he would take his mind off Watergate and go ahead with re-introducing anti-inflation controls in the USA. These controls over wages and prices were mostly removed earlier this year under phase three of the US counter-inflation policy, a move many now think to have been a mistake.

complicated error

This error is complicated by doubts in the USA and internationally whether President Nixon now carries sufficient political authority or credence to get statutory controls over wages and prices accepted again. As a result, central banks in Europe may soon start to enter the gold market as sellers. But it is difficult to see the central banks committing the bulk of their gold reserves until the demonetisation of gold becomes more a political and economic reality. According to the deputy governor of the Bank of Italy, whose astuteness ranks high in Europe, it will be two years before a consensus is reached on international monetary reform. In the meantime floating currency rates will have the opportunity of proving themselves as a means of ensuring reasonable financial stability and of protecting world trade—but no one speaks of what happens to the individual whose money shrinks in his pocket through steady inflation.

Floating has become so popuarl that neither the Franch nor the West Germans are putting pressure any longer on the British to join the united Common Market floating rate. As long as the currencies float and remained unfixed the finance ministers, if not happy, are no longer distracted. But the concept of the Common Market's monetary union within fixed parities appears to many less and less attractive. Originally the aim of fixed parities was to increase integration, stabilise parities within Europe and guarantee a uniform agricultural market. But the uniformity of the farming market exists now only on paper, parities have changed and will almost certainly continue to change more frequently. Flexibility and adaptability, combined with consistent enterprise in as large a field as possible appear to be the only safe techniques. Fixity and cramping integration, popular as ideas two years ago, have dissolved before the hard facts of inflation and of gold values.



MOVING FINGER

According to the Sank-aracharya of Kanchi Kamakoti Peetam camping in the capital, we could have "pure, noble and high thoughts" only if the food we take is "pure". Pure food, unfortunately, has become the first casualty of the government's campaign to radicalise its food policy. I am not referring here to the presence of 'datura' seeds in imported maize or iron filings in the wheat bought in Punjab by the Food Corporation of India for sale in the ration shops of Bombay city. What I have in mind is the fact that government-controlled food is becoming hopelessly tainted with political lies.

In the issue of this journal dated May 11, writing in this column, I referred to the prime minister's maladroit attempt to conceal the government's plans for importing large quantities of foodgrains. Provoked, evidently, by a UNI report, published in the newspapers of May 1, that the government of India had decided to import additional quantities of foodgrains to the extent of from six million to seven million tonnes, Mrs Indira Gandhi chose to speak of "false and misleading reports in the press." Indeed, it was rumoured at the time that the prime minister's secretariat attempted to bully the UNI into retracting the news story in question but realized its helplessness when it was told that the government could always officially contradict the report if it thought it to be without substance. Now it has been made public that the government of India has decided to import 6.5 million tonnes of foodgrains in the course of 1973-74. This means that, whoever was lying a month and a half ago about the government's plan for importing foodgrains, it was not the press.

Talking of food naturally makes me want to talk of fertilizers as well. The fertilizer problem, it appears, is not peculiar to modern India or even modern agriculture It seems to have presented difficulties to primitive communities too. For instance, according to Mr G. L. Simons, author of *Sex And Superstition*, whenever the people of Amboyna have a fear that the clove crop may be failing, "their menfolk would go naked to the plantation at night and there proceed to ejaculate upon the trees to fertilize them, at the same time calling out for more cloves." The Bisayo tribe of the Philippine Islands, however, have different ideas about how to ward off a poor harvest. The practice in this interesting community reportedly is to organize the ritualistic violation of the young virgins of the tribe by the elder government officials.

It seems to me that the government of India may have to import know-how from such sources for dealing with our own national fertilizer problem unless it gets somewhere soon enough with its negotiations for foreign collaboration in setting up a chain of new fertilizer factories. There is the danger of course that knowledge of the formula followed by the Bisayo tribe may prompt the elderly senior officials in the various central ministries or the equally elderly ministers to become even more apathetic than they normally are about the more familiar ways of dealing with the fertilizer problem.

Meanwhile I note that Mr B.R. Bhagat has been lying for the sake of his country in Japan. Finding that the Japanese businessmen are not exactly enthusiastic about investing in fertilizer projects or other areas of industry in our country, Mr Bhagat has made a noble attempt to convince them that the government of India is not politically or ideologically committed to a policy of nationalization. Mr Bhagat has tremendous faith in his powers of advocacy and he naturally believes that he has done an effective job of public relations for the government of India. Unfortunately, facts have a habit of speaking louder than words. The nationalization of the leading commercial banks, followed by the taking over by the government of the Indian Iron and Steel Company Ltd, the Indian Copper Corporation Ltd, the coking coal companies and finally the rest of the coal industry are not acts which could be glibly explained away as being irrelevant to the apprehensions entertained both at home and abroad about the government's loyalty to the principle of a mixed economy.

It is easier to preach to the converted or to captive audiences than to persuade hard-headed businessmen, whether in Japan or anywhere else, to agree that our government's oft-proclaimed radical socialism or socialist radicalism is really without teeth and has only rarely used dentures. If it were really the case that the government wants substantial private investments, whether foreign or domestic, in the nation's industrial economy, Mrs Gandhi and her cabinet must learn to face the fact that the nationalization of commercial banking followed by the Kumaramangalam *interregnum* has shaken business confidence and that the government's credibility cannot be restored overnight. New Delhi, I am afraid, has to work for its passage back to respectability.

Thinking of Mr Bhagat, I find myself wondering why the prime minister should be so stubbornly denying herself for so long the services which Mr Bhagat or, say, Mr Manubhai Shah or Mr R. Venkataraman could render to the government as ministers in some of the major economic ministries. All three have solid records of initiative and administrative competence and, since there are not many people in the prime minister's party who are conspicuous for their eligibility to ministerial responsibilities, there seems to be a clear advantage for the country in these men being taken back into the central government. Mrs Gandhi now has a chance of giving a bias to her government in the direction of pragmatism.

In some of her present ministers, notably Mr C. Subramaniam, Mr T. A, Pai and Professor Chattopadhyaya, she has colleagues of energy, imagination and a practical bent of mind who could do a good job provided the political climate is made right. If they are joined by men such as Mr Manubhai Shah, Mr B. R. Bhagat and Mr R. Venkataraman, and if, simultaneously, Mr K. C. Pant is promoted to independent responsibility for a major economic ministry, it ought to be possible for this government to become performance-oriented and function with a view to achieving results. In recent times the prime minister has had the misfortune of being bedevilled by loaded advice from self-seeking opportunists or adventurous ideologues and it is high time she had shared her responsibility for economic policy-making and the management of the national economy with a number of ministers who, both individually and collectively, could help her to deliver the goods.

VB

TRADE WINDS

Aid India Consortium

THE AID India Consortium endorsed recently the World Bank's recommendation that a total of $ 1,200 million be earmarked as assistance to India for the current financial year. At the end of their two-day meeting, members of the Consortium agreed that commitments of non-project assistance, including debt relief, of about $ 700 million and of project assistance of about $ 500 million, would be desirable. A statement from the World Bank's Paris headquarters issued after the meeting pointed and that most members indicated the contribution they had already or would be able to make towards these goals. Others are expected to do so later this year. France, for example, has already signed an assistance agreement with India. The commitment by the other members is dependent on their parliamentary schedules. While the bank's statement did not give a breakdown of the assistance agreed to by individual members, reliable sources revealed that the overall trend was towards higher aid, if only marginally.

US Price Freeze

US President, Richard Nixon, ordered an immediate freeze on all US retail prices, including those charged by supermarkets and corner groceries, for a maximum period of ten days on June 3. The move, which did not affect wages, was announced by the President in a nationwide television radio address. This move forbids, charges higher than the maximum in effect during the June 1 to 8 period. It extends throughout the American marketing system with an exception only for raw agricultural products. President Nixon said the freeze period "will be used to develop and put into place a new and more effective system of controls which will involve tighter standards and more mandatory compliance procedures than under phase three". The phase three programme which contained voluntary enforcement provisions came after a 90-day wage-price freeze in 1971.

US Bank Rate Raised

The US discount (bank) rate was raised to 6½ per cent from six per cent on June 8.

Banks to Collect Central Excise

Collection of Central Excise duties through some selected nationalised banks was among the topics for discussion at the meeting of the Customs and Central Excise Advisory Council held recently. The Chairman of the Central Board of Excise and Customs, Mr Jasjit Singh, told the Council that 52 pilot centres of nationalised banks had been selected for this purpose and were now awaiting clearance from the Reserve Bank of India. The Advisory Council, at its two-day meeting, discussed a wide range of items connected with the administration of Customs and Central Excise. Among these were questions of space at customs enclosures at the airports, particularly in Bombay and Delhi, and the constitution of Appelate Tribunals for Customs and Central Excise cases. The Council consists of representatives of trade and industry, two Members of Parliament and senior officials of the various economic ministries. It is designed to provide an effective forum at the Centre to discuss general Customs and Central Excise problems on an all-India basis.

Crude from Saudi Arabia

The first tanker carrying Saudi Arabian crude reached Bombay recently and the entire lot of 20,000 tonnes has been offered to the ESSO refinery for processing on behalf of the Indian Oil Corporation. A second tanker carrying 43,000 tonnes of crude was expected to reach Bombay on June 15. This crude also was to be offered to the foreign-owned refineries who would be utilising their spare capacity to refine it. The refineries will only get a processing fee and the petroleum products will belong to IOC. It is expected that during June 150,000 tonnes of Saudi Arabian crude would have been delivered to India.

Saudi Arabia has agreed to give a total of 3.3 million tonnes of crude to India beginning from this month and up to the end of 1975. The crude would be delivered roughly at the rate of 1.1 million tonnes every year. Indications are available that Saudi Arabia may offer additional crude during the years 1974 and 1975, over and above the quantities already contracted for.

Indigenous Tyre Curing System

Tyre manufacturers in India are now offered indigenous tyre curing systems conforming to the best international standards. The 'Bag-O-Matic' tyre curing presses and related equipment will shortly be manufactured in India by L&T-McNeil Limited. This new company is a joint venture of Larsen & Toubro Limited and McNeil Akron—a division of McNeil Corporation of Akron, Ohio, USA. Construction work has already started on the new manufacturing plant at Madras. Important initial orders have been received and deliveries are scheduled to commence from December 1973.

Standardisation Trust

A Research and Education Trust named after the scientist and standards personality, Dr Lal C. Verman, has been established for the development of standardization as a new and distinct discipline. The trust will be particularly concerned with research and education in standardization in all areas of human endeavour including industry, agriculture and administration.

Licences for Iron Steel

On a review, it has been decided by the union government to extend the last date for submission of applications by actual users for import for iron and steel from July 31, 1973 to August 31, 1973. All applications should reach the licensing authorities before the expiry of the last date. The Chief Controller of Imports and Exports, ministry of Commerce, has issued a public notice to this effect. Actual users, other than small-scale units, in the priority industries, may submit only one application for import of iron and steel in terms of the capacity requirements. In case the actual user wishes to take advantage of the facilitiy of grant of a release order (without prior scrutiny by the sponsoring authority) in respect of canalised items, two applications may be submitted simultaneously, one in respect of the canalised item directly to the CCI &E and the other in terms of his requirements for full utilisation of the capacity. All applications for issue of release order for supply of canalised item without prior scrutiny must be submitted by August 31, 1973.

Export of Ready-Made Garments

There has been a rapid growth in exports of ready-made garments from this country. The exports in 1972-73 were of the value of Rs 21.24 crores, as against

Rs 15.60 crores in 1971-72. There are 160 small-scale units engaged in export production of ready-made garments in India. The export of garments in 1968-69 was of the value of Rs 5.65 crores. At present, Indian exports constitute barely one per cent of the annual trade in garments. A number of measures to increase the capacity to meet the export demands have been taken by the government. The units are allowed import replenishment by way of trimmings, dyes and chemicals to the extent of nine per cent of the exports; import of cloth within a specified value for sample production; and import of synthetic fabrics for export production. To develop an integrated strategy for garment exports, the Cotton Textile Export Promotion Council has been entrusted with the export of all types of garments without fibre distinction. The Trade Development Authority has also taken garments as one of the selected items for market studies in USA.

Exports to S-E Asian Countries

A country-wise study import patterns and requirements of south-east Asian countries, commonly known as ECAFE countries, has been ordered by the ministry of Commerce. This has been done to enable India to cash on the opportunities of exports and to enter the markets in this region. The Commerce Secretary has designated individual officers to do the country-wise studies within a specified time. The studies will identify goods and services for which import opportunities exist in the countries. They will also identify items in which India has export capability and can enter these markets in a big way. India's exports to south-east Asian countries have been gradually increasing. From the average annual figure of Rs 134.83 crores during the second five-year Plan, the exports increased to Rs 163.43 crores during the third five-year Plan. During 1971-72, the exports to the Asian countries reached Rs 385.10 crores and during April-September, 1972, exports were of the value of Rs 219.57 crores. The balance of trade with this region has been in India's favour since 1968-69. Some of the important countries in the region to which goods are exported are Japan, Nepal, Sri Lanka, Australia, and Singapore. Nearly 50 per cent of India's trade in this region is with Japan.

Sugar Production

The total production of sugar upto May 31, 1973 was 3.76 million tonnes as against 3.03 million tonnes during the corresponding period last year, thus showing an increase of about 729,000 tonnes. Despatches of sugar up to the end of May, 1973 were 2.36 million tonnes as compared to 2.71 million tonnes during the same period last year. The stocks of sugar with the factories on May 31, 1973, were 1.99 million tonnes as against 1.73 million tonnes on the corresponding date last year. Thirteen factories were reported to be in production on June 7, 1973, as against 8 factories on the same date last year.

Indo-Bulgarian Collaborations

Mr C. Subramaniam, minister of Industrial Development & Science and Technology, during his recent visit to Sofia had discussions with Mr Ivan Popov, deputy prime minister of Bulgaria and minister of Machine Building. In the course of these discussions, the ministers informed each other about the development of industry and agriculture in their respective countries. They were of the view that efforts were called for to expand and strengthen industrial, scientific and technical collaboration between the two countries so as to reflect fully their existing friendly political relations. The two sides examined some fields where fruitful collaboration between the two countries appeared to be feasible. The areas which received consideration during the discussions were agriculture, machine building and science and technology. Other fields indicated were light, chemical and pharmaceutical industries.

Within agriculture, the areas indicated were agrarian and agro-industrial units, development of farm equipment, fertilisers and other farm chemicals including pesticides and herbochemicals, development of horticulture particularly vegetables and fruits, development of cattle and poultry feeds and development of agro-based industries including fruit processing. Among machine building, the area considered was computer technology. The Bulgarian side stated its capacity to design and participate in the construction of plants for production and processing non-ferrous metals like copper, lead and zinc, production of ferrosilicon, sulphuric acid, calcium carbide and soda ash.

Barcelona Fair

'India Day' was celebrated at the Barcelona Fair in Spain recently. The minister of Tourism and Civil Aviation, Dr Karan Singh, participated in the celebrations. Replying to the address by the President of the Fair, Dr Karan Singh said that he was glad that his visit to Spain has coincided with India's participation in the Barcelona Fair. This participation was symbolic of the growing ties between Spain and India. It also indicated prospects of greater collaboration in the commercial and economic fields between the two countries. Earlier on his arrival in Madrid on a five-day official visit to Spain, Dr Karan Singh was received at the airport by the Spanish minister of Information and Tourism, Mr Sanchez Bella. Spain with a population of 33 million, last year received 36 million tourists. Tourism there is the largest foreign exchange earning industry, fetching more than three billion dollars.

Names in the News

Mr Vinod Parekh took over as Chairman of State Trading Corporation of India Ltd. Mr Parekh was Managing Director of Housing and Urban Development Corporation, prior to the present assignment. Before joining HUDCO, Mr Parekh held a number of important assignments in the private sector.

Readers' Roundtable

Computers and Communications

You are to be congratulated on publishing the series of articles by Jossleyn Hennessy on the OECD reports about Computers and Communications. They should do much to make more people aware of the options for better management that are available through tightening up the information links in an administrative chain.

I would like to point out specifically that much of the administrative convenience and effectiveness of computers in communications grids described in somewhat futuristic style in the OECD study are available today in India even without improvements in our existing telephone network, because the key concept is getting the machines to send data directly across the lines, at whatever speed. Much of the exotica associated with video communication, very high speed transmission, etc., is operationally of little value in India.

Indeed we already have designs suitable (for example) for a linked network of communications-oriented computers forming a national food inventory system, and these are implementable in time frames of a year to 18 months. Indeed, a similar proposal was published in Delhi as long ago as 1968 (in the Journal of the Institute of Defence Studies & Analyses, in the context fo a logistics control network for the Army.)

Computer Centre,
Prof. J. G. Krishnayya,
Indian Institute of
Management,
Ahmedabad.

COMPANY AFFAIRS

Widia (India)

Despite several constraints such as severe power restrictions, substantial increase in salaries and wages, and delays in the supplies of imported raw materials, Widia (India) Ltd has maintained its tempo of progress during 1972. Profit during the year looked up, although modestly, by about five per cent whereas net sales expanded by as much as 11 per cent. The percentage of net profit to net sales worked out to 22 per cent in 1972 as compared to 23.2 per cent in the preceding year. The profit for the year was affected among other things by enhanced provision for depreciation, hike in salaries and wages and increased exports. Vigorous attempts are being made by the company to promote sales in overseas markets. Its efforts have already started yielding solid results, the exports contracts pending as on April 30, 1973, being of the order of Rs 21 lakhs. This was disclosed by the chairman Mr T.S. Krishna while addressing the annual general meeting.

The performance of the company during 1973 will again be satisfactory as sales so far have been encouraging and the levy of excise duty of 20 per cent ad valorem with effect from March 1, 1973, has not adversely affected the marketing of current production. With the rationalisation of production and the massive expansion schemes in hand, sales are expected to be maintained at the optimum level during the current year. The position regarding the import of raw materials through government agencies has not significantly improved. However, the company is trying to minimise the impact of delays in imported raw materials by advance planning. Although the Mysore state government has imposed power cuts to the extent of 25 per cent from October 1, 1972, the power restrictions did not upset the working of the company as it had made adequate alternative arrangements for power supply. But the continued shortage of power may impede the company's progress in future.

The company continued to receive valuable assistance from its foreign collaborators, Messrs Fried Krupp GmbH WIDIA-fabrik, Essen, West Germany, and the benefits flowing from this fruitful collaboration will be reaped by the company in a larger measure in the coming years.

TISCO

The directors of Tata Iron and Steel Co. Ltd has maintained the equity dividend Rs 8.60 per share for the year ended March 31, 1973. Although production, despatches and sales are all higher than in 1971-72, the gross profit has contracted to Rs 24.86 crores from Rs 28.04 crores in the preceding year. Margins were squeezed by ever increasing costs of raw materials, wages and railway freight. Interest charges alone have cost the company Rs 4.14 crores, Rs 1.04 crores more than in 1971-72.

Production of saleable steel improved from 1.39 million tonnes to 1.45 million tonnes in 1972-73 while despatches were higher at 1.404 million tonnes as compared to 1.310 million tonnes in 1971-72. Gross sales amounted to Rs 199.56 crores as against Rs 162.11 crores in 1971-72 while net sales were of the order of Rs 156.28 crores as compared to Rs 136.85 crores in the preceding year. Out of the gross profit the directors have allocated Rs 17.51 crores to depreciation reserve as against Rs 16.07 crores in 1971-72 while no provision has been made for taxation as compared to Rs 5.80 crores allotted in the earlier year. The appropriation to development rebate reserve was enhanced to Rs 4.30 crores from Rs 2.40 crores while an amount of Rs 1.12 crores was earmarked for payment of gratuity and Rs 0.71 crore for debenture issue expenses as against no provisions in the previous year. This leaves a net profit of Rs 1.22 crores, Rs 2.55 crores less than in 1971-72 and the entire amount has been transferred to the general reserve. The equity and preference dividends will absorb Rs 5.27 crores, the same as in the previous year, and will be paid out of the general reserve.

Mukand Iron

Mukand Iron and Steel Works Ltd has reported fairly encouraging working results during the year ended March 31, 1973. With a rise in sales from Rs 235.62 million to Rs 253.35 million in 1972-73, the gross profit has moved up to Rs 39.90 million from Rs 38.80 million in 1971-72. The directors have recommended a dividend of Rs 1.00 per share against Rs 1.50 per share declared in 1971-72 but it is payable on an enlarged capital resulting from the issue of bonus shares in the ratio of 1:1. Hence the total distribution will go up from Rs 4.03 million to Rs 5.38 million. A part of the dividend will be paid out of the special reserve as exempt from Income-tax. This recommendation, however, is subject to the approval of the Industrial Finance Corporation of India to whom an application is being made. These results have been achieved despite the rise in the cost of steel scrap by 40 per cent, power costs by 32 per cent and payment of dearness allowance to employees by six per cent. The production of rolled products has gone down from 106,378 tonnes to 102,050 tonnes due to reduced billet supply and power shortage. However, sales have gone up from Rs 175.1 million to Rs 185.9 million. The output at the steel foundry went up from 5322 tonnes to 8265 tonnes and sales also were higher. It is now possible for the steel foundry to produce castings of 10 tonnes and over. The availability of these heavy castings will assist in import substitution in heavy machine building projects. The machine building division has increased its sales from Rs 17.9 million to Rs 20.9 million. The division has a backlog of orders to the tune of Rs 40 million. This division has maintained steady progress during the last four years and has registered a four-fold increase in its production and sales. The company has received a letter of intent for manufacture of steel rolling mills and the division will enter a new field in the near future. The project of creating additional steel making facilities is under implementation, a part of which will be completed by the second half of 1973 and the other part by mid-1974. These additions, within the licensed capacity, will considerably reduce the company's dependence on outside sources for billets. The company has entered into technical collaboration arrangements with five mini steel plants in the country for the manufacture of electrical steel products. The company's joint venture in Kuala Lampur is expected to go on stream from June 1973.

Out of the gross profit the directors have allocated 7.81 million to depreciation reserve as against Rs 7.32 million

in 1971-72 while a sum of Rs 2.50 million was earmarked for gratuity as against no provision in the earlier year. The appropriation to development rebate reserve was maintained at Rs 0.90 million while taxation absorbed Rs 14.50 million as compared to Rs 13.00 million in the preceding year. After adjustments Rs 14.16 million was transferred to general reserve as compared to Rs 16.80 million in 1971-72.

Punjab National Bank

Punjab National Bank continued to maintain its record of progress in all the spheres of its operations. The Bank's deposits during the year ended December 31, 1972 crossed the Rs 600 crore-mark and stood at a new high of Rs 620.81 crores, thereby surpassing its previous year's figure by as much as Rs 83.59 crores. All types of deposits contributed their share to the impressive increase in deposits. Fixed deposits rose spectacularly from Rs 238.62 crores to Rs 282.11 crores while savings deposits mounted to Rs 215.08 crores from Rs 191.91 crores in 1971. Deposits under current and contingency accounts jumped by Rs 16.88 crores to Rs 123.11 crores while employees' security deposits held by the bank itself stood higher at Rs 50.24 lakhs as compared to Rs 46.50 lakhs in 1971. The cash and balances with other banks were augmented during the year by Rs 6.52 crores to Rs 50.32 crores. Advances during 1972 amounted to 250.90 crores as compared to Rs 269.10 crores in the preceding year while bills purchased and discounted were higher at Rs 75.65 crores as against Rs 72.82 crores in the previous year. The revenue from interest and discount rose sharply from Rs 34.00 crores to Rs 40.30 crores while the income from commission, exchange and brokerage improved to Rs 4.98 crores, registering a marginal gain of Rs 0.31 crore over 1971. The handsome increase in earnings was however, neutralised by appreciable rise in expenditure. The outgo by way of interest paid on deposits and borrowings claimed Rs 24.51 crores as compared to Rs 20.19 crores while establishment expenses absorbed Rs 14.74 crores, an increase of Rs 1.55 crores over 1971. The profit after allowing for taxation but before providing for bonus was maintained around Rs 2.46 crores. Out of the profit, a sum of Rs 1.35 crores was earmarked for payment of bonus as against Rs 1.29 crores in 1971 while the amount appropriated to Reserve fund under Section 3 (6) of the Banking Companies Act was reduced by Rs 5 lakhs to Rs 50 lakhs. The balance of Rs 61.23 lakhs was transferred to the government as compared to Rs 61.20 lakhs in 1971.

Central Bank

Striking improvement in deposits, and smart rise in earnings are some of the creditable achievements of Central Bank of India during the year ended December 31, 1972. Deposits recorded a strident advance from Rs 682.91 crores to Rs 804.77 crores in 1972. All types of deposits contributed their share for the remarkable rise in deposits. Fixed deposits and cash certificates leaped to Rs 417.46 crores from Rs 343.62 crores while savings deposits shot up to Rs 208.66 crores from Rs 180.83 crores in 1971. Deposits under current accounts were substantially higher at Rs 178.65 crores as compared to Rs 158.45 crores in the preceding year. The cash and balances with other banks were strengthened during the year by Rs 10.29 crores to Rs 69.56 crores. Advances including bills purchased and discounted amounted to Rs 470.33 crores as compared to Rs 477.15 crores in 1971. Interest and discount fetched Rs 54.70 crores, Rs 8.26 crores more than in 1971 while the income from commission, exchange and brokerage was maintained around Rs 7.05 crores. The interest paid on deposits and borrowings during the year was of the order of Rs 30.58 crores as compared to Rs 25.21 crores in 1971 while salaries and allowances consumed Rs 21.55 crores as against Rs 19.19 crores in the preceding year. The bank's working during the year has resulted in a profit of Rs 41.42 lakhs as against Rs 2.89 crores in 1971 but the profit for 72 has arrived at after providing Rs 1.76 crores for bonus to staff. Out of the profit a sum of Rs 9 lakhs was allocated to reserve fund and the balance of Rs 32.42 lakhs was transferred to central government.

Bharat Television

Mr Jagjivan Ram, union Minister of Defence, released the Bharat TV in Delhi recently. This new TV set is manufactured by Bharat Television Pvt Ltd at its factory located in Hyderabad. Set-up in the joint sector, with the Andhra Pradesh Small Scale Development Corporation, the factory was inaugurated by the President of India, Mr V.V. Giri in September 1972. Apart from incorporating advanced HAL technology, the Bharat TV set also uses the traditional Andhra Pradesh 'bidri' decorative work for its cabinet, providing employment to specialised craftsmen of the area. It is interesting to note that Bharat TV set which has already captured a substantial market in Bombay, will now be available to the TV fans of north India.

News and Notes

(Expansion and diversification)

Standard Mills which has already raised the production capacity in respect of caustic soda from 100 tonnes to 125 tonnes per day, is further stepping up its capacity to 150 tonnes by October. The company has applied to the government seeking further expansion to 250 tonnes per day. The company's Rs one crore Chloromethane plant with a capacity of 3,000 tonnes a year is expected to go on stream early next year. The expansion of potassium carbonate plant from 3,000 tonnes to 5500 tonnes a year is expected to be completed by October 1973. The expansion of the chemical division now under implementation will cost Rs 5.50 crores out of which Rs 3.70 crores have already been spent. The textile division has completed the renovation programme. The company hopes to achieve a turnover of about Rs 39 crores during the current year. Its sales of chemicals for the current year will be of the order of about Rs 14 crores while those of textiles will be about Rs 25 crores.

New Issues

Straw Products Ltd is offering for public subscription 55,000 (9.5 per cent) commulative redeemable preference shares of Rs 100 each for cash at par. The subscription list for this fully underwritten issue opened on June 19 and will close on June 28 or earlier but not before June 21. The company is engaged in manufacture different varieties of boards in its board mills at Bhopal and high grade printing and writing, M.G. and M.F. tissues and other speciality papers in its paper mills at Jaykaypur in Orissa. The paper mill which had an annual capacity of 19,000 tonnes was expanded in November 1970 when Paper Machine (No II) for manufacture of 2000 tonnes per annum of M.G. paper was commissioned and in October 1972 when Paper Machine (No III) for the manufacture of 7500 tonnes per annum of top grade light weight papers with rag content was commissioned. The existing annual capacities of board mills and paper mills are 13,200 tonnes and 28,500 tonnes respectively. The company's scheme for installation of the coating plant to manufacture 4500 tonnes per annum of coated papers and boards is already under implementation and is expected to be completed in early 1974. The paper mills and board mills are being further expanded for increasing the production capacities of Paper Machine No I by 3,000 tonnes per annum and of cylinder mould plant by 2000 tonnes per annum respectively by installation of balancing equipment. The expansion is expected to be

completed before the end of the current year. The capital expenditure for balancing scheme and additional expenditure for the expansion in hand is estimated at Rs 432.12 lakhs which would be met from the issue of preference shares, loans from financial institutions and the company's own resources. The proposed issue of preference shares of Rs 55 lakhs will be utilised for providing a part of the finance required for the implementation of these schemes.

Emsu Breweries and Processed Foods, Patna, Bihar, is setting up a modern brewery at Dinapur near Patna, for the manufacture of fine quality beers, including Pilsner types. Initially the brewery output will be 50 lakh bottles of beer per annum, which will be raised to 70 lakh bottles per annum with minimum additional outlay. The company has retained Howe (India) Pvt Ltd. who are in association with the Howe International Ltd., of Canada, Bermuda. UK and Australia as consultants for the project. The capital outlay on the project is placed at Rs 97 lakhs, which will be met by share capital to be taken up by promoters (Rs 15 lakhs), proposed public issue of Rs 32 lakhs (comprising Rs 22 lakhs in equity shares and Rs 10 lakhs in preference shares) and term loans (Rs 50 lakhs). The annual turnover is placed at Rs 1.50 crores. The management expects to declare a dividend of 10 per cent from 1975 onwards. Apart from the types of beer now available in the country, finest Pilsner lagers, light lagers, pale strong export beers, light beers, weak beers of low alcoholic content, tonic beers, milk stouts and dark beers can also be brewed economically in the same plant. These will be introduced into the market as part of the company's development programme.

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital amounting to over Rs. 5.34 crores. Following are the details:

Khatau Makanji Spinning and Weaving Company Limited Bombay, has been accorded consent, valid for three months, to capitalise a sum of Rs. 74,81,250 out of the General Reserve and issue bonus shares of Rs. 100 each.

Handa Rotary Machineries Limited, Bombay, has been given an Acknowledgement to their statement of proposals, valid for a period of 12 months, for further issue of equity shares worth Rs. 54,71,100 to the public by prospectus. The proceeds of the issue are to be utilised for setting up of a Industrial undertaking for production of Rotary Machines at Umargaon.

Hindustan Wires Limited, Calcutta, has been given consent, valid for three months, for issue of bonus shares worth Rs. 32.50 lakhs.

Special Steels Limited, Bombay, has been accorded consent, valid for three months, to capitalise a sum of Rs 120 lakhs out of the General Reserve and issue 1.20 lakhs fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every fully paid equity share held.

Premier Cotton Spinning Mills Limited, Coimbatore, has been accorded consent, valid for three months, to capitalise a sum of Rs. 12.50 lakhs out of their Genral Reserve and issue 12,500 fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Scindia Steam Navigation Company Limited, Bombay, has been accorded consent, valid for three months, to capitalise a sum of Rs. 2,25,54,600 out of the General Reserve Share Premium Account and issue 11,27,730 fully paid equity shares of Rs 20 each as bonus shares in the ratio of one bonus share for every five equity shares held.

India Cotton Mills Private Limited, Madras, has been accorded consent, valid for three months, to capitalise Rs. 7,36,400 out of its General Reserve and issue fully paid equity shares of Rs. 100 each, as bonus shares, in the ratio of one bonus share for every fully paid equity share held.

Sahney Kirkwood Commutators Private Limited, Bombay has been accorded consent, valid for three months, to capitalise a sum of Rs. 6.63,900 out of their General Reserve and issue 6,639 fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Company Meetings

The Madras Aluminium Company Ltd; Shanmugamanram, Race Course, Coimbatore; June 29; 10. a.m.

The Kohinoor Mills Company Ltd: Patkar Hall, (S.N. D.T. Women's University), Maharshi Karve Road, Marine Lines, Bombay 400020, June 28; 4.00 p.m.

The Modern Mills Ltd: Victor House Annex, Opp. Modern Mill No. 2, Keshavrao Khadye Marg, Mahalaxmi, Bombay-11; June 29; 4.00 p.m.

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the three weeks ended February 17, 1973. The list contains the names and addresses of the licensees, articles of manufacture, types of licences —New Undertaking (NU); Substantial Expansion (SE); New Article (NA); Carry on Business (COB); Shifting— and annual installed capacity.

Licences Issued

Metallurgical Industries

M/s Bundy Tubing of India Ltd; Tiam House, 11/12, North Beach Road, Madras-1. (Baroda-Gujarat) — Bundy Weld Steel Tubings — 33 million feet—(N.U.); M/s Graham Firth Steel Products India Ltd; 16, Horniman Circle, Fort, Bombay-1. (Bombay-Maharashtra) — Cold Rolled Steel Strips—10,800 tonnes—(S.E.).

Metallurgical Industries (Non-Ferrous)

The Chairman-*cum*-Managing Director, Hindustan Zinc Ltd; Udaipur. (Visakhapatnam-Andhra Pradesh)—Electrolytic Zinc Metal—30,000 tonnes—By products—Pig Load—10,000 tonnes; Sulphuric Acid—45,540—tonnes; Cadmium—115 tonnes—(NU).

Electrical Equipment

M/s Siemens India Ltd; 134-A, Dr. Annie Besant Road, Worli, Bombay-18. (Bombay—Maharashtra)—Rectifier Cables—64.5 mw—(C.O.B.); M/s Jayant Metal Manufacturing Co.: Post Box No. 7009, Sayani Road, Bombay-25. DD.

Dividends

Name of the company	Year ended	Equity dividend declared for	
		Current Year	Previous Year
Higher dividend			
Victoria Mills	December 31, 1972	18.0	15.0
Navsari Cotton & Silk Mills	December 31, 1972	10.0	5.0
New Great Eastern Spg. & Wvg. Mills	December 31, 1972	5.0	Nil
Anil Starch	December 31, 1972	15.0	12.0
Associated Rubber Industries	December 31, 1972	15.0*	12.5
Same dividend			
Matchwel Electricals	September 30, 1972	6.0	6.0
Cawnpore Sugar	October 31, 1972	Nil	Nil
Cibatul	December 31, 1972	Nil	Nil
Mafatlal Fine Spinning & Manufacturing	March 31, 1973	17.0*	17.0

*On increased capital

(Bombay — Maharashtra)—Copper Commutators, Segments Strips/Profiles—250 M. tonnes—(N.A.).

Transportation

M/s Jaya Hind Industries Pvt. Ltd; Chinchwad, Poona-19. (Poona-Maharashtra)—Flyweel Magnetos—40,000 nos; Pressure & Gravity Die-Castings for Auto-parts—400 tonnes—(S.E.); M/s Bharat Forge Co. Ltd.: Post Box No. 57, Poona-1. (Maharashtra) (Poona-Maharashtra)—Finished Crankshafts for Automobiles —16,800 nos.—(S.E.).

Office & Household Equipment

M/s Bharat Electronics Ltd; Jalahali P.O., Bangalore-13. (Bangalore-Mysore)—Electronics Desk Calculators—3,000 nos. — (N.A.).

Chemicals

Shri Kishan Lal Wadhwa: A-75-A, Kirti Nagar, New Delhi-15. (Ghaziabad-U.P.)—Oxygen Gas—0.777 m.c.m.; Dissolved Acetylene Gas—0.17 m.c.m.; Nitrogen Gas—0.18 m.c.m.—(N.U.).

Drugs & Pharmaceuticals

Hoechst Pharmaceuticals Ltd; Dugal House, Backbay Reclamation, Post Box No. 11123, Bombay-20. (Bombay-Maharashtra) — Daenil Tablets (Glybanclamide) — 20 m.c.m. — (N.A.).

Paper & Pulp

M/s The Paper Products Ltd; 13/14, Ajmeri Gate Extension, New Delhi-1. (Nagpur/Thana-Maharashtra) and (Madras-Tamil Nadu) — Paper for packaging (Corrugated Paper, Kraft paper, paper bags, paper containers and tissue); Printing & Conversion Cellulose and Plastic films, waxed papers and laminates thereof — (total capacity — 20,540 tonnes) The capacity of different units will be as under: Thana (Maharashtra) — 16,208 tonnes; Madras (Tamil Nadu) 3,324 tonnes; Nagpur (Maharashtra) —1,008 tonnes; Total—20,540 tonnes; (C.O.B.); M/s Straw Products Ltd; 4, Bahadur Shah Zafar Marg, New Delhi-1. (Bhopal-Madhya Pradesh) — Paper Board—9,200tonnes after expansion — (SE.); M/s P. Moonirathinam Naidu & Sons, 11, Officers Line, Vellore-1, N-Arcot Distt; (Vellore-Tamil Nadu) — Wrappers, Gummed Tapes & Coated papers — 600 tonnes — (C.O.B.).

Vanaspati

M/s Tata Oil Mills Co. Ltd 24, Bruce Street, Bombay-1 (Ghaziabad-U.P.) — Vanaspati —10 tonnes — (C.O.B.)

Leather & Leather Goods

M/s South East Tanning Co.: 4-5, Vepery High Road, Periamet, Madras-3. (Madras-Tamil Nadu) — Finished Leather—10 lakhs pieces — (N.A.).

Letters of Intent

Electrical Equipment

M/s Laxmi Industries: 10, Bruce Street (2nd Floor) Fort, Bombay. (Andhra Pradesh/Haryana/Madhya Pradesh/Maharashtra) — Disc Ceramics—20 nos. — (N.U.).

Telecommunications

M/s O.E.N. India Ltd: 19/88-B, Kaloor Road, Post Box No. 1905, Cochin-18. (Kerala) — Dist sealed & Hermetically sealed relays — 5 nos. — (S.E.).

Industrial Machinery

M/s Ingersoll Rand (India) (P) Ltd; 44, Abdul Gaffar Road, P.B. No. 16564, Worli, Bombay. (Ahmedabad-Gujarat) — Drilling Rigs (Small and Medium) — 100 nos. —(S.E.); M/s Larsen & Toubro Ltd; L&T House, P.O. Box No. 278, Ballard Estate, Bombay-1 (BR). (Powai-Maharashtra) — Beet preparation and Beet Pulp dehydration/Processing Plants; Sugar Cane & Beet diffusion plants of capacities ranging from 1000 to 6,000 tonnes per day. — Two plants within the existing licensed capacity of plants of 1500/2000 tonnes per day capacity.

Earth Moving Machinery

M/s Kirloskar Oil Engines Ltd: Elphinstone Road, Poona-3. (Poona-Maharashtra) — Diesel Road Rollers (upto 20 tonnes — 1,500 nos. — (N.A.).

Engineering Industries

M/s Bharat Gauge & Tool, 49-B, Chittaranjan Avenue (Ist Floor), Calcutta-12. (Haldia-West Bengal) — Vernier Calipers — 60,000 nos.; Vernier Height Gauges & Height Musters — 10,000 nos.; Universal Beval Protractors — 5,000 nos.; Dial Indicators 45,000 nos.; (All types & Sizes) Micrometers 50,000 nos.; Plain Limit Gauges — 1,00,000 nos.; Thread limit gauges — 1,50,000 nos.; Gauge Blocks & Accessories —500 sets; Diverse Gauges like Screw ritch, radius, etc. — 5,000 nos.; Comparators — 1,000 nos.; Equipment & Accessories like V-block, etc. — 10,000 nos.; Scales, Rules — 10,000 nos.; Sine Centres, Bench Centres, High Precision Dividing Heads, etc. — 500 nos.; Cylinder Bore Gauges — 5,000 nos. — Precision Cutting Tools : HSS Taps, Various sizes — 3,60,000 nos.; HSS Round Dies, Various sizes — 3,60,000 nos.; HSS Threading Chasers — 36,000 nos.; HSS Gear Hobs, 0.5 to 25 modules—5,000 nos.; HSS Flat type gear Cutters — 5,000 nos.; HSS Fellows type Gear Shaping Cutters — 5,000 nos.; HSS Gear Shaving Cutters — 500 nos.; Milling Cutters (all types) —2,00,000 nos.; Broaches (All types & Sizes) — 7,000 nos.; Micro Drills & Beamers — 2,00,000 nos.; Die Sinking Burrs — 1,00,000 nos.; Hand & Power Saw blades — 40,000 nos.; Circular Saws — 1,00,000 nos.; Segmental Blades — 30,000 sets; Precision Jigs & Fixtures — 1,000 sets; Precision Press Tools—2,000 sets—(N.U.).

Office and Household Equipment

M/s Kelvinator of India Ltd; 19-A, Alipre Road, Delhi-6. (Ballabgarh-Haryana) — Electrically Operated Cash Registers — 15,000 nos. — (N.A.); M/s Kirloskar Brothers Ltd; Udyog Bhavan, Tilak Road, Poona-2. (Karad-Satara-Maharashtra) — Hermetically Sealed Compressors Units including manufacture of Open Type Compressors from 1/4 H.P. to 5H.P. — 1,00,000 nos. after expansion — (S.E.).

Industrial Instruments

M/s O.E.N. India Ltd; 19/88-B, Kaloor Road, Post Box No. 1905, Cochin(Kerala). (Kerala) — Miniature Wire Wound Trimming Potentiometers for commercial use — 1 lakh nos,; Miniature Wire Wound Trimming Potentiometers for Military use—1 lakh nos.—(N.A.).

Chemicals

M/s Sangli Motors (Bombay) Pvt. Ltd; 39-A, Hughes Road, Bombay-7. (Bombay-Maharashtra) — Oxygen Gas — 4.32 m.c.m.; Dissolved Acetylene Gas — 0.20 m.c.m.; Argon Gas 0.25 m.c.m. — (S.E./N.A.).

Drugs & Pharmaceuticals

M/s Burroughs Wellcome & Co. (India) Ltd; 16, Bank Street, Bombay-1. (Bombay-Maharashtra) — Pseudo EPhedrine Hydrochloride — 2 tonnes — (N.A.).

Paper & Pulp

Shri H. Bhatara, 101, Sunder Nagar, New Delhi-3. (Meerut-(U.P.) — Parchment paper — 1,000 tonnes; Semi Parchment Paper — 200 tonnes; Condensor/Industrial Tissue — 300 tonnes — (N.U.); Shri Vinod D. Vadera, 406, Rajamahal Vilas Extension, Upper Palace Orchards, Bangalore. (Boisair-Maharashtra) — Printing & Writing Paper — 6,000 tonnes; Parchment Paper — 2,500 tonnes — (N.U.); The Paper Products Ltd; Vaswani Mansions, 120, Dinshaw Vacha Road, Bombay-20. (Chanda-Maharashtra) — Paper & Paper Board—33,000 tonnes — (N.U.).

Sugar

Shri Bal Krishna Singh. M/s The Chandauli Cooperative Sugar Mills Ltd; Village Akorha, P.O. Baluri; Dist. Varanasi. (Chandauli-U.P.)—Sugar — 1,250 tonnes cane crushing capacity per day — (N.U.); Shri D. S Potnis : Chairman, M/s The Nasik Sahakari Sakhar Karkhana Ltd; Bhadra Kali Mandir, Dist: Nasik. (Nasik-Maharashtra) — Sugar 1,250 tonnes cane crushing

capacity per day — (N.U.). The Managing Director: M/s The Nizam Sugar Factory Ltd; Post Box No. 1, Hyderabad. (Karimnagar-Andhra Pradesh) — Sugar — 1,250 tonnes cane crushing capacity per day — (N.U.); Shri R. S. Wagh, Chairman : M/s Kadawa Sahakari Sakhar Karkhana Ltd; Post Khedgaon, Taluk Dindori, Dist: Nasik, Maharashtra. (Dindori-Nasik- Maharashtra) — Sugar — 1250 tonnes per day of cane crushing capacity. — (N.U.).

Food Processing Industries

M/s Jwalaprasad Sikaria & Co. 31/4, Durgacharan Mitter Street, Calcutta-6. (Cuttack-Orissa) — Wheat Products — 30,000 tonnes after expans'on — (S.E.); Major R. K. Vikram Sing, c/o Shri S. S. Mehta, 3, Housing Co-operative Society, South Extension Part-I, New Delhi-1. (Delhi) — Wheat Products 30,000 tonnes — (N.U.); Shri N. R. Gupta, P.B. No. 206, Calicut Road, Nethimedy—Salem-2. (Bangalore-Mysore) —Wheat Products — 30,000 tonnes — (N.U.).

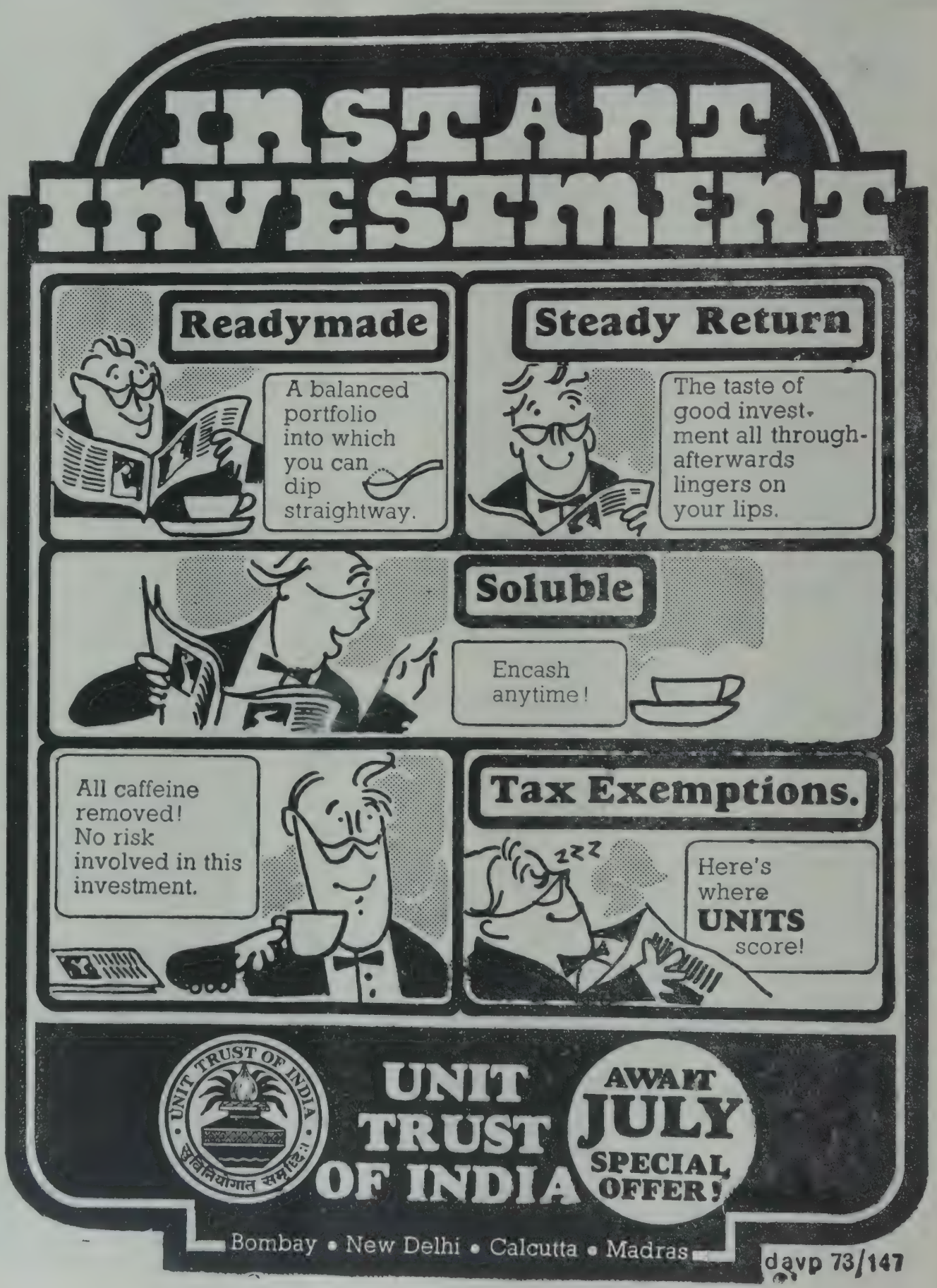
Rubber Goods

M/s Bengal Waterproof Works (1940) Ltd; 41, Shakespeare Sarani, Calcutta-17. (Panihati-24-Parganas, West Bengal) — Rubberised Fabric 24 lakh metres; Hospital Rubber Cloth — 12 lakh metres; Chemical Proof Fabrics — 4.8 lakh metres; Hospital Rubber Sheeting — 1,200 m. tonnes; Air Cushin, Air Rings, etc — 3 lakh pieces; Hot Water Bottles & Ice Caps — 6 lakh pieces; Gum Boots — 4.5 lakh pairs; (After Expansion) — (S.E.); *New Articles*: Protective Footwear— 3 lakh pairs; Inflatable Floatation Equipment—1 lakh pieces; Industrial Roll Covering of Rubber — 250 Cu. metres; Anti-corrosive lining of rubber —36,000 Sq. metres; Industrial Moulded Rubber Components and parts — 400 tonnes; Special Purpose Industrial Sheets 3 lakh pieces; Adhesives — 3 lakh litres — (N.A.); M/s Dunlop India Ltd: 57-B Mirza Ghalib Street, Calcutta-16. (Near Margoa—Goa) — Steel Cord Rubber Conveyor Belting — 20,000 metres (660-tonnes); Textile Reinforced Rubber Conveyor Belting — 10,000 metres (800 tonnes); Fan & Vee Belts — 10,63,000 nos.— (N.U.); Shri K.A.H. Vohra: Suit No. 10, (191-Park Street, Marine Garden Court, Calcutta-17; (M/s Modern Rubber Industries) (West Bengal) — High Pressure Braided Hoses —450 Kilometres; Synthetic Rubber Cots — 24,000 metres; Synthetic Rubber Aprons — 12,000 metres; Rubber/Ebonite Rollers Complete as well as Recovery—1,200 nos.; Rubber Lining of Chemical Plant and Equipment — 5,000 metres— (N.U.).

Change in Names of owners or undertakings

(Information pertains to particular licences only)

From M/s Dhruv Genthe & G. (P) Ltd. to M/s Chetangenthe & Co. Pvt. Ltd.





Sri K. Gopal Rao

Company Meeting

THE ANDHRA BANK LIMITED

Speech of the Chairman, Sri K. Gopal Rao at the Fortyninth Annual General Meeting of the Shareholders: Hyderabad, June 16, 1973.

Gentlemen,

I am very happy to welcome you all to this 49th Annual General Meeting of our Bank. This event has added significance as it is the first time that the meeting of the shareholders is being held at the Registered Office of the Bank after it has been shifted to Hyderabad to its own building. Due to this change, inevitably, I miss some of the old familiar faces at this Annual General Meeting but it is in some measure compensated by the new ones.

2. The Directors' report and audited accounts for the year ended 31st December, 1972 have been in your hands for some time now. I am sure, you have noted with satisfaction that your Bank has maintained the rate of progress achieved in the recent years and, as a result it has been possible to propose a dividend of 10 per cent, the highest paid on the Bank's shares so far.

3. The year 1972 has been a difficult year for the country on the economic front. While the stature of the country grew greatly in the eyes of the international community, following the events in Bangladesh and the military conflict with Pakistan, these events had far reaching economic and social effects on the country. These together with the failure of the monsoon brought into sharp focus the reality that the country is still far from self-sufficiency in the matter of food and self-generating growth. The events of the year showed how greatly the economy of the country is still dependent on the vagaries of nature. It would, perhaps, need two good monsoon seasons, sustained hard work by the Nation and a great deal of statesmanship on the part of the Central and State Government leadership before the country can be brought back to an even keel and on the path of balanced development.

Banking Commission Report

4. An important event of the year, which would be a milestone in the history of commercial banking in this country, is the publication of the report of the Banking Commission. The Commission has gone into practically every aspect of banking in depth, and has submitted a comprehensive report. The report is, presently under the consideration of the Government of India and the Reserve Bank of India and I feel that based on the report, far reaching changes in the structure and organisational set up of commercial banking will emerge to suit the needs of our country, as an instrument of growth.

Review of the Year

5. The year 1972 has been a good year for your Bank despite the general economic climate in the country and the somewhat unfortunate staff relations in the Bank itself, to which I shall refer later. During the year under review, the Bank opened 40 branches taking the total number of branches at the end of the year to 279 excluding Extension Counters. The deposits increased from Rs 79.91 crores to Rs 109.50 crores registering an increase of 37.03 per cent as against a 17.43 per cent increase for the banking industry as a whole. The Bank's advances have increased from Rs 52.48 crores to Rs 68.51 crores registering an increase of 30.54 per cent which is far higher than the increase for the Banking industry which was 6.86 per cent. The Bank's investments in Central and State Government securities increased by Rs 7.75 crores during 1972. The profits increased from Rs 12.21 lakhs to Rs 16.11 lakhs.

Last Quinquennium

6. As the Bank enters the Golden Jubilee Year, it also completes a quinquennium under Social Control, in terms of which a whole time Chairman and Chief Exeeutive was appointed in your Bank. It is only relevant and proper that I should review for you the achievements of the Bank in this 5 year period and compare this with your Bank's performance during the preceding 5 years.

7. In the field of Branch expansion, your Bank has opened 164 branches during the 5 years 1968 to 1972 and of these 152 branches are opened in Andhra Pradesh. As against this, the Bank could only open 40 branches during the years 1963 to 1967. It has been our endeavour to open as many branches as possible in the rural areas so that the Bank could be an effective instrument of growth and serve the largest number of people in Andhra Pradesh. It has not, unfortunately, been possible to open as many branches as we would like to have in the Telangana region partly due to the tensions between the Telangana and Andhra regions and partly due to manpower constraints. In the twin cities of Hyderabad and secunderabad as many as 14 new branches have been opened during the last 5 years taking the number from six to twenty.

New Services

8. As you are aware, several new techniques have been employed by your Bank in branch expansion like Cluster branches, one man branches, pilgrim centre branches, branches in educational institutions etc, with a view to inculcate banking habit and render service to all segments of the society. Some of these techniques have been perfected and it should be possible in the coming years to employ them more effectively and reap the benefits in fuller measure. It is our ambition that as soon as possible the Bank should give the fullest coverage to Andhra Pradesh so that no customer—present or prospective—should have to travel more than 5 miles to get service from your Bank.

Cluster Branches

9. Your Bank is a pioneer of the Cluster branches idea. On the basis of the experience gained so far, in my view, this is the solution to Banking industry's problem of having to open a large number of branches In the rural areas both for

deposit mobilisation and for taking banking service to the doorstep of remote villages. This method enables banking service to be taken to the villages to the limited extent they need, to start with, with economy both of costs and scarce manpower. By this method, villages with potential for growth can be identified and nurtured where, in course of time, a full fledged branch can be opened and more villages added to the Cluster.

Deposits

10. In the matter of deposit growth, the Bank's deposits increased from Rs. 39.69 crores to Rs. 109.50 crores during 1968-1972 recording a rise of Rs. 69.81 crores against an increase of Rs. 21.51 crores during the previous five year period 1963-1967. During this period your Bank introduced several new schemes for deposit mobilisation notable among them being the Kiddy Bank scheme which has caught the imagination of the young children and through them of their parents. There is considerable scope for further deposit mobilisation by fuller use of the existing schemes and drawing up new ones.

Advances

11. While the Bank's advances have increased from Rs. 27.29 crores at the beginning of 1968 to Rs. 68.51 crores at the end of the year 1972, the growth in the previous 5 years (1963-1967) was from Rs. 10.25 crores to Rs. 27.29 crores. The rate of growth of advances in the Banking industry, had not been uniform in the last 3 years; the increase of advances in your Bank has been of the order of Rs. 10.82 crores in 1970, Rs. 6.21 crores in 1971 and Rs. 16.03 crores in 1972.

12. It has been the earnest endeavour of your Bank to render maximum assistance to as large a number of persons as possible. A conscious endeavour is being made to diversify the type of advances, at the same time taking utmost care to see that the standards of lending are not watered down. In lending, emphasis is laid on the economic viability and technical feasibility of schemes and the end use of the funds.

Assistance to Weaker Sections

13. Consistent with the social objectives set for the Banks, every endeavour is being made to step up advances to priority sectors and weaker sections of the community. At the end of the year 1972, our advances to the agricultural sector including direct and indirect advances amounted to Rs. 10.49 crores; of these the direct advanees stood at Rs. 9.54 crores spread over nearly 80,000 borrowers. The average loan per agriculturist worked out to Rs. 1,200/- approximately.

14. With the advent of social control followed by nationalisation of the 14 major Banks, the Banking industry went ahead full steam into the sphere of agricultural financing although it was ill-equipped to do so in terms of structure, skills and experience. Your Bank too did the same but with due caution. After the initial experimentation we have now evolved the necessary organisational structure and the techniques of lending for agriculture. Arising out of experience your Bank, along with the others in the industry, has decided to adopt an area approach in financing agricultural operations. This would facilitate concentrating available resources of manpower and skills in managing limited areas. After multiplying manpower and skills in these areas, more such similar areas could be taken up for financing agriculture. Your Bank has recently opened its first agriculture development branch in Srikakulam. It is proposed to open some more such branches in future.

15. In this context I would like to mention that the Govrnment of Andhra Pradesh can do a great deal more by way of assisting commercial banks lending to agriculturists if they abolish stamp duty and registration charges for creation of registered mortgages at least upto a level of Rs. 5,000/-. This would help small farmers. In fact, several of our neighbouring states have done this and I have been urging this measure in the various meetings I had with the Government officials. Having had the privilege of being a member of the Talwar Committee for drawing a draft model legislation to remove legal difficulties in the way of commercial banks lending to agriculture. I would recommend to the Government of our State an early adoption of this model legislative measure.

16. As has been mentioned by me in my earlier statements, though your Bank is in the private sectors, it has associated itself voluntary with all schemes drawn up by the Government both in the field of agriculture and in other priority sectors. This is as it should be since we are one of the only two banks in the private sector chosen for the Lead Bank role. We are Lead Bank for six districts, five in Andhra and one in Orissa. Your Bank is financing primary co-perative societies and small farmers under the Small Farmer Development Agency Scheme (SFDA) in Srikakulam and Ganjam districts and under the Marginal Farmers and Agricultural Labourers Scheme (MFAL) in Vizag district; similar schemes would be taken up shorty in Cuddapah and Nalgonda. Your Bank is fiancing tribals in Srikakulam district under a scheme drawn up by Tribal Development Agency. The Bank is financing minor irrigation schemes in Miryalguda, Banganpalli, Pithapuram and Samalkot under International Development Agency project with the guidance of Agricultural Refinance Corporation. The Bank has also undertaken a number of developmental schemes in its Lead Districts. The Bank has undertaken all these schemes with caution, on a scale, commensurate with our size and strength and I am glad to report that our experience of these new types of advances has been on the whole satisfactory. Inspite of the drought conditions, repayment of our agricultural advances has been quite satisfactory.

17. The Bank has fiananced small scale industrial units to the extent of Rs. 9.07 crores at the end of the year under review. The pattern of lending to this sector has undergone a change during the last two years. Previously the Bank was financing mostly traditional small scale industries like rice mills, oil extraction units etc. Your Bank is now financing many non-traditional industries, engineering units, plastic units, chemical units, highly sophisticated electronic units etc. The Bank is also financing a number of technocrats and self-employed both in the crash programme recently undertaken by the Andhra Pradesh Government and outside. At the end of the year 1972, we have financed about 300 self-employed persons. We have also been financing a number of small retail traders at several of our branches.

18. The Bank has stepped up substantially its financing of exports from India during the year under review.

19. The total advances to priority and neglected sectors including advances to retail traders amounted to Rs. 22.47 crores as at the end of 1972 forming 32.8% of the total advances of the Bank.

Investments

20. The Bank's investments have increased by Rs. 7.75 crores from Rs. 30.44 crores to Rs. 38.19 crores between 1971 and 1972. Your Board has continued its policy of giving support to loans and bonds floated by various developmental agencies and Corporations like Electricity Boards, States Financial Corporations, Industrial Corporations, Co-operative Land Development Banks mainly in Andhra Pradesh and to some extent in other states also where we are established.

21. It will thus be seen that the Bank has been playing a vital role in the economic development of Andhra Pradesh and has been endeavouring to be of the miximum

assistance to the Government and people of the State.

Manpower

22. The biggest constraint to the rapid development and expansion of the Banking industry, commensurate with the needs of the society, is paucity, both quantitative and qualitative, of trained personnel. This very constraint has also prevented your Bank expanding even more rapidly in the last five years, both in Andhra Pradesh and outside. To ensure non-recurrence of this phenomenon in future years, certain positive steps have been taken by your Board during the last five years. Firstly, selection and appointment of the clerical staff on the basis of merit and aptitude determined on the basis of written and/or aptitude tests conducted by an independent outside agency has been introduced. The candidates are interviewed thereafter by a panel of 2/3 senior officers of the Bank. Such a strict selection is necessary to ensure competent and efficient service to the customers and also to provide a reservoir from which the Bank can draw for its future needs of officer staff, because a bulk of the officer staff of the future has to come from the clerical staff of the Bank.

23. Another constraint pecular to our Bank has been a promotion policy which was in force till recently under which a preponderant percentage of officers' requirement had to come from the clerical staff and even out of that a large majority had to be non-graduates and 88% of the promotions had to be strictly on the basis of seniority alone. This promotion policy agreement which was neither in the interests of the institution nor the staff and has sapped the vitality of the institution has fortunately now came to an end. The Award Staff Union displayed bold leadership, foresight and imagination and keeping in view the best interest of the Institution has recently signed a balanced promotion agreement. I have no doubt that if this agreement is implemented, both by the Union and Management in the spirit in which it has been conceived, it would ensure adequate supply of officers with requisite dynamism and skills to ensure rapid growth of the Bank in the future years and at the same time open up avenues of promotion to hundreds of deserving young men.

Training

24. The only method of getting over the various types of constraints on manpower, as a long term policy, is to provide training facilities for staff of all cadres. To equip staff with diverse skills, the variety and complexity of which is undergoing constant change, it is necessary to provide constant training and refresher courses. Realising this need, your Board of Directors have appointed Sri A. H. Elias as Adviser, Training, Planning and Development. Sri Elias has retired as a very senior officer of the State Bank of India and was till recently principal of the SBI Staff Training College, Hyderabad and is, therefore, fully conversant with the requirements of the Bank for training and also with the latest techniques of imparting such training. The Bank will soon have a Staff Training Centre for training clerical staff, both new and existing and a Staff Training College for imarting training to officers at different levels.

Structural Reorganisation

25. With the growth of your Bank, in the light of new management techniques and with a view to handle effectively the challenge of rapid expansion, it is necessary to decentralise administration and also restructure the organisational set up of the Bank. It is with this end in view that Regional offices in charge of Regional Managers have been set up. It is proposed to develop the Regional offices as miniature Head Offices with adequate support to the Regional Managers in all fields of banking operations, like financing of small scale industries, agriculture, planning and development, personnel and inspection and devolve on them sufficient powers. This would enable expeditious customer service and a closer supervision on the branches in a region. A beginning has been made in this regard and the process would be speeded up. Simultaneously, other steps are also being taken with the help of the Adviser to streamline the set up at Central office and to update the system of working, so that the organisation becomes operationally more effective to withstand the stresses and strains caused by expansion and diversification and to meet the demands of the future.

Staff Relations

26. I had referred earlier to the unfortunate 73 days' strike that the Bank had to go through in the first half of 1972. This strike caused untold hardships to the Bank's customers and put back the Bank's progress considerably. As I had said in a circular immediately after the strike, this is a family dispute which should leave no rancour. I am happy to say that normal relations have been restored and all cadres of staff are now devoting themselves to the service of the Bank's customers which is a matter of highest priority in a service organisation like ours.

27. In this context, I may venture a suggestion. I feel that industrial relations, in the banking industry in particular, which employs mostly educated young men and women have come of age. It is necessary both for the management and the employees to realise that a relationship where one set of people have only rights and no obligations is no longer tenable. As it is, banking industry is an extremely high cost industry which is impeding the rapid development of banking, the need of the hour. It is, a matter of urgency that management, officers and workmen have to put their heads together and increase productivity in the industry to offset its high cost so that banking services can really become an instrument of rapid development and can be taken to the remotest villages in this country.

Acknowledgement

28. I would like to strike a personal note here. I am beholden to the Government of Andhra Pradesh for their patronage and sympathetic consideration of the Bank's various problems I had occasion to place before them during the year under review as in the years before. My special thanks are also due to the Reserve Bank of India who have always given their utmost support, guidance and consideration during these past five years of my tenure as Chairman. It would be no exaggeration to say that conduct of the day to day affairs of the Bank would have been difficult many folds particularly because of certain special problems your Bank has, but for the ready and willing guidance and assistance I have received from the officers of the Reserve Bank at every level.

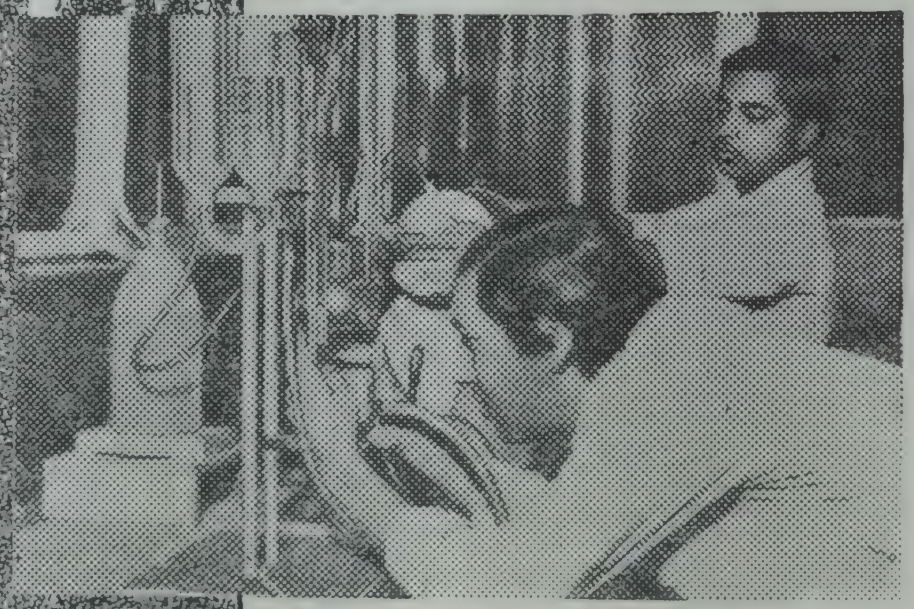
29. My thanks are due to members of staff of all grades but for whose goodwill, co-operation and hard work, the Bank would not have been able to achieve the impressive progress it has achieved both in the year under review and in the earlier years. My happy association with them has been a source of personal satisfaction to me. I am aware that every one of them has been working under considerable stress and strain. These pressures and strains are inevitable for a generation engaged in building up the economy of the country. I am reminded of the words of a great man that this generation of our countrymen is sentenced to hard labour. We in the Andhra Bank can be no exception to it.

30. Before I conclude, I must convey my sincere and grateful thanks to all my colleagues on the Board but for whose co-operation and able guidance, I would not have been able to discharge my responsibilities. I also wish to thank Mr. M. V. Subba Rao, our capable General Manager, for the devoted way in which he has worked untiringly for the development of the Bank.

(This does not purport to be a report of the proceedings of Annual General Meeting).



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RECORDS AND STATISTICS

Price policy for kharif cereals

IN ITS report relating to the price policy for kharif cereals, the Agricultural Prices Commission (APC) has stated that due to the erosion of the buffer stocks of foodgrains, there was need for intensification of the procurement activities in the coming kharif season. A substantial increase in procurement prices has been recommended. Whereas the procurement price for paddy last year ranged between Rs 51 and Rs 56.25, the APC has raised it to Rs 63 for the 1973-74 season in respect of all states.

The procurement prices of jowar and maize also have been suggested at Rs 63 per quintal. In the case of ragi and bajra, the procurement prices suggested are Rs 62 and Rs 65 per quintal respectively. The government has accepted the recommendations of the APC with the only difference that the prices suggested would be treated as support prices only.

Full text of the report follows :

In this report, the Agricultural Prices Commission presents its views on the price policy for kharif cereals for the 1973-74 season. The Commission recommends that:

(a) given the extended requirements of the public distribution system and the erosion of the buffer stock of foodgrains, the procurement of the kharif cereals be considerably enlarged in the ensuing season :

(b) the levels of the procurement prices that may be assured to the grower on the eve of the sowing season for the 1973-74 crop be fixed uniformly throughout the country at Rs 63 per quintal for paddy, jowar and maize, Rs 65 per quintal for bajra and Rs 62 per quintal for ragi, for the standard varieties of the respective cereals;

(c) in view of the increases recommended in the procurement prices in context of the objective of enlarging the procurement of kharif cereals so as to enable the consumer to meet this requirements through the public distribution system more adequately than at present, the issue prices be suitably adjusted subject, of course, to differentiation between the poorer and better off segments of the community; and

(d) in view of the considerable inter-state disparities in the hulling/milling ratios and the processing and incidental charges. a rationalisation of the cost structure pertaining to the processing of paddy be undertaken.

The drop in foodgrain production for two successive years, 1971-72 and 1972-73, strengthened the upward drift in foodgrain prices which had started during the latter half of 1971. The expansionary monetary policy, necessitated principally by the Indo-Pak confrontation, combined, after a time-lag, with the pessimistic indications about the prospects for the kharif crop of 1972-73 to bring about a step-up in the pace of rise in prices. The index number of foodgrain prices, which rose from 200.1 in April 1971 to 221.7 in the corresponding month of 1972, shot up to 266.1 in April 1973. An unusual feature of the price situation in the past two years has been the near-absence of the normal post-harvest dip. Thus, since the middle of 1971, there has been an almost uninterrupted rise in foodgrain prices. (Tables I to X)

In a situation like this, the containment of price rise is a function, among other things, of the control over supplies; the government decided on the abolition of the private wholesale trade in wheat, which virtually amounted to a monopoly procurement of the cereal. While this measure, which came into effect from the commencement of the current marketing season for wheat, is seeking to bring much more into the procurement net than has been the case in the previous years, it has also enlarged the government's obligation to provide the grain to the consumer through the public distribution

TABLE I

Total Foodgrains: Area and Production

State	Area ('000 hectares)			Production ('000 tonnes)		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
Andhra Pradesh	9,436	9,485	8,161	7,400	7,406	6,449
Assam	2,382*	2,092	2,112	2,119*	2,034	1,996
Bihar	9,926	9,908	9,600	7,546	7,881	8,904
Gujarat	4,948	5,101	4,934	3,221	4,406	4,222
Haryana	3,831	3,846	3,972	4,567	4,751	4,539
Himachal Pradesh	827	821	900	982	950	895
Jammu & Kashmir	803	774	821	1,151	944	988
Kerala	928	926	921	1,243	1,321	1,357
Madhya Pradesh	16,534	16,852	16,835	9,769	10,922	11,319
Maharashtra	13,594	12,921	12,176	6,914	5,590	4,953
Mysore	7,878	7,187	7,323	5,891	5,962	6,065
Nagaland	60	61	61	50	54	54
Orissa	5,748	5,781	6,005	5,033	5,104	4,647
Punjab	3,907	3,927	3,896	6,937	7,306	7,900
Rajasthan	11,371	12,875	12,743	4,750	8,838	6,374
Tamil Nadu	5,163	5,196	5,056	6,239	6,974	7,033
Uttar Pradesh	19,428	19,631	19,523	17,547	19,585	17,605
West Bengal	6,137	6,119	6,356	7,364	7,491	8,356
All-India	123,570	124,316	122,224	99,501	108,422	104,656

*Includes those for Meghalaya.

Source: Directorate of Economics and Statistics, Ministry of Agriculture.

system. Under conditions of relative scarcity, the government's procurement effort and its responsibility to supply foodgrains to the consumer have to go hand in hand. The risk, however, is that the latter may outpace the former. (Table XI)

Till the new kharif crop comes to the market, the overall supply position may not change more than moderately as a result of the likely imports. And at this stage, it is not possible even to venture a guess about the size of the ensuing kharif crop. But even if it turns out to be good, the situation in respect of overall availability would still call for a great deal of caution and restraint in view of the erosion of the buffer stock of foodgrains. More pertinent from the standpoint of the public distribution system is the fact that whatever the size of the next crop, the operational stocks with the public sector agencies by the time the kharif crop starts arriving in the market would be meagre. Thus, the commitment for the provision of supplies through the public distribution system would have its imperative in terms of procurement of the corresponding magnitude.

In this context, it would be useful to assess the requisite order of the procurement of rice in 1973-74 in the event of the total takeover by the government of the wholesale trade in the cereal. Even on the favourable assumption that the production of coarse cereals in the coming kharif season would be enough to meet the normal requirements of the consumer in respect of these cereals, an annual per capita availability of something like 100 kgs of rice and wheat would still need to be ensured. On this basis, the requirements of the urban population alone for these two cereals would amount to 11 million tonnes. If the segment of the rural population comprising landless labourers, non-cultivators and cultivators who are not self-sufficient in respect of foodgrains is also taken into account, the requirements for

TABLE II

Rice: Area and Production

State	Area ('000 hectares)			Production ('000 tonnes)		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
Andhra Pradesh	3,300	3,521	2,724	4,700	4,786	4,302
Assam	2,243*	1,968	1,968	2,058*	1,981	1,908
Bihar	5,493	5,275	5,206	4,009	4,154	5,006
Gujarat	499	489	475	447	598	518
Haryana	241	269	290	371	460	530
Himachal Pradesh	97	105	98	114	124	104
Jammu & Kashmir	241	222	213	482	397	370
Kerala	873	875	872	1,215	1,298	1,336
Madhya Pradesh	4,319	4,384	4,415	3,202	3,697	3,666
Maharashtra	1,392	1,356	1,332	1,431	1,663	1,369
Mysore	1,106	1,160	1,120	2,290	1,953	2,097
Orissa	4,506	4,511	4,734	4,317	4,341	3,906
Punjab	384	390	450	573	688	919
Rajasthan	115	120	133	99	135	159
Tamil Nadu	2,695	2,686	2,668	4,532	5,303	5,362
Uttar Pradesh	4,534	4,563	4,886	3,533	3,701	3,776
West Bengal	5,016	4,956	4,992	6,350	6,140	6,508
All-India	37,680	37,592	37,334	40,430	42,225	42,735

*Includes those for Meghalaya.

Source: Directorate of Economics and Statistics, Ministry of Agriculture.

TABLE III

Jowar: Area and Production

State	Area ('000 hectares)			Production ('000 tonnes)		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
Andhra Pradesh	2,724	2,567	2,491	1,351	967	1,114
Gujarat	1,315	1,334	1,197	387	497	483
Madhya Pradesh	2,426	2,178	2,047	1,468	1,336	1,282
Maharashtra	6,091	5,784	6,169	3,214	1,591	1,932
Mysore	3,154	2,594	2,420	1,800	2,024	1,861
Rajasthan	1,167	1,179	949	414	573	255
Tamil Nadu	732	749	669	575	547	522
Uttar Pradesh	722	734	621	431	486	239
All-India	18,605	17,374	16,802	9,721	8,105	7,753

Source: Directorate of Economics & Statistics, Ministry of Agriculture.

TABLE IV

Bajra: Area and Production

State	Area ('000 hectares)			Production ('000 tonnes)		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
Andhra Pradesh	602	584	491	320	290	223
Gujarat	1,784	1,782	1,776	1,204	1,575	1,545
Haryana	928	879	876	516	826	620
Madhya Pradesh	276	223	217	168	120	130
Maharashtra	2,257	1,929	1,135	763	788	239
Mysore	567	510	522	227	264	174
Punjab	201	207	139	222	243	164
Rajasthan	4,346	5,127	5,131	808	2,674	1,371
Tamil Nadu	459	490	481	310	321	331
Uttar Pradesh	1,020	1,121	949	753	882	528
All-India	12,493	12,913	11,769	5,327	8,029	5,357

Source: Directorate of Economics & Statistics, Ministry of Agriculture

hese two cereals could subs-antially mount up. If these re to be met primarily through he public distribution system, would seem that, even with reasonable degree of success the procurement of wheat he procurement of rice, conse-uent to the takeover of the holesale trade in the cereal, ould have to be considerably ore than double the maxi-um achieved in the past. his implication would deserve be taken into account before eciding to alter the structure f the dual market in rice in he coming marketing season.

Besides, the success of the akeover of the wholesale trade foodgrains depends very argely on the extent to which he deficit as well as the sur-lus states accept the discip-ines which the measure entails, s also on the administrative nd other preparedness includ-ng the availability of a buffer. Whatever the decision of the overnment in this regard, the xigencies of the existing situa-ion however are such that the ublic distribution system has to e extended and adequately fed, nd if possible, some replenish-ent of the buffer attempted; hus the procurement of food-rains has to be considerably nlarged.

This factor, even apart from ther considerations, argues or an increase in the existing rocurement prices for kharif ereals. Here, it would be re-alled that the procurement rices in the past used to be ecommended on the eve of the narketing season in the light f factors such as the prospects or the ensuing crop, the likely rend of the market prices and he quantum of procurement imed at within the framework, y and large, of the dual mar-et in foodgrains. These are mponderables in the situation t this stage. Even so, while he purpose of the administered rices announced prior to the owing season is to guarantee hese prices to the cultivators, n the context of the need for a ignificantly larger procurement hese require to be fixed at evels higher than those appro-riate for the usual minimum upport prices.

In deciding upon ths levels for the procurement prices which may be assured at this stage, the Commission is beset with the difficulty that the available estimates of cost of production of agricultural commodities suffer from various deficiencies to which the Commission has had occasion to refer in the past; more particularly, those for coarse grains, besides being fragmentary, display a high degree of erraticity. The data collected under the Comprehensive Scheme for Cost of Cultivation of Principal Crops, which could provide a better insight into the cost structure, are currently being processed, with the result that representative and dependable estimates of unit cost of production of kharif cereals are not available at this stage. The Commission has however obtained the estimates of cost of production of paddy from the state governments: these are found to converge, by and large, within the range of Rs 50 to 55 per quintal.

While determining the order of increase to be allowed in the extant procurement prices for paddy, it needs to be ensured that the prices recommended provide a fair return to the

TABLE V

Maize: Area and Production

State	Area ('000 hectares)			Production ('000 tonnes)		
	1969-70	1970-71	1971-72	1969-70	1970-71	1971-72
Andhra Pradesh	243	256	230	310	344	243
Bihar	953	991	823	866	1,113	133
Gujarat	291	275	269	289	444	432
Haryana	109	114	115	138	130	140
Himachal Pradesh	256	260	246	444	483	330
Jammu & Kashmir	256	269	282	363	366	363
Madhya Pradesh	623	591	588	418	627	465
Mysore	56	64	80	105	205	308
Punjab	563	555	546	827	861	852
Rajasthan	783	758	775	518	930	752
Uttar Pradesh	1,506	1,508	1,479	1,192	1,796	846
All-India	5,862	5,852	5,637	5,674	7,486	5,026

Source: Directorate of Economics & Statistics, Ministry of Agriculture.

TABLE XII

All-India Weighted Average Procurement Price for Paddy

(Procurement Price of Paddy: Rs per quintal)
Quantity Procured in terms of Rice: ,000 tonnes)

State	1965-66		1971-72		1972-73	
	Procure-ment Price	Quantity Procured	Procure-ment Price	Quantity Procured Price	Procure-ment Price	Quantity* Procured
Andhra Pradesh	39.00	637	51.00	267	53.00	212
Assam	36.00	56	56.25	87	56.25	78
Bihar	40.00	70	56.25	29	56.25	56
Gujarat	42.50	26	55.00	—	56.00	6
Haryana	36.00	—	51.00	316	53.00	269
Jammu & Kashmir	32.00	10	51.00	40	53.00	25
Kerala	43.81	19	56.25	60	56.25	36
Madhya Pradesh	40.00	106	56.00	428	56.00	238
Maharashtra	45.00	77	58.00	183	58.00	66
Mysore	38.00	77	52.00	41	52.00	48
Orissa	38.00	214	53.00	170	55.00	141
Punjab	36.00	238	51.00	864	53.00	746
Tamil Nadu	42.00	932	49.00	167	51.00	80
Uttar Pradesh	40.00	70	54.00	298	56.00	198
West Bengal	38.85	585	56.00	252	56.00	158
Weighted Average Procurement Price	39.75		53.04		54.17	

*Upto mid-May 1973

Source: Dpeartment of Food, Ministry of Agriculture.

TABLE VI

Index Numbers of Wholesale Prices

(Base : 1961-62-100)

Commodity	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Rice	1970-71	198.8	188.2	189.8	191.7	193.5	196.9	199.9	203.4	207.9	212.9	214.5	210.2
	1971-72	204.9	196.3	199.1	201.2	204.4	211.2	216.9	222.1	231.6	241.9	244.7	243.3
	1972-73	232.7	223.7	228.4	235.6	240.7	247.4						
Jowar	1970-71	178.7	189.0	196.7	197.0	198.0	193.3	194.2	193.1	201.3	213.4	219.9	216.6
	1971-72	214.7	220.0	220.0	216.9	221.1	220.5	222.6	227.1	234.6	243.6	251.8	253.2
	1972-73	244.7	244.0	247.4	253.2	259.3	265.1						
Bajra	1970-71	138.4	143.4	141.7	136.9	131.7	127.7	127.1	138.5	144.5	146.7	148.1	151.2
	1971-72	161.8	160.6	169.7	170.8	179.1	180.6	186.2	196.7	207.9	218.4	225.6	226.1
	1972-73	226.0	239.1	246.0	256.4	273.0	288.4						
Maize	1970-71	163.3	163.4	173.4	169.5	168.7	170.0	173.7	179.3	175.7	181.9	183.6	179.9
	1971-72	187.2	185.4	208.8	214.9	223.8	219.6	222.0	231.8	243.7	249.8	247.9	231.5
	1972-73	221.2	223.4	242.9	256.0	261.1	161.0						
Ragi	1970-71	155.8	158.6	163.9	167.8	161.3	159.8	159.4	164.7	175.7	189.6	182.7	179.2
	1971-72	181.4	190.4	193.7	191.1	185.6	182.0	180.2	181.1	185.2	190.0	194.9	198.2
	1972-73	197.0	204.0	207.8	206.9	207.3	211.9						
Cereals	1970-71	194.9	189.7	192.9	193.6	193.9	194.0	194.6	197.2	200.6	206.0	207.8	204.7
	1971-72	203.7	199.6	204.7	206.1	208.5	209.0	211.5	217.0	225.2	234.3	236.4	235.8
	1972-73	230.5	228.3	235.9	242.9	244.8	245.4						
Foodgrains	1970-71	203.8	200.2	202.7	201.1	200.3	200.1	201.0	205.4	210.7	219.8	221.9	219.9
	1971-72	219.5	215.3	221.0	221.7	222.6	221.7	224.3	234.1	243.0	252.0	253.4	254.5
	1972-73	253.1	252.3	255.6	261.4	265.9	266.1						

Source : Office of the Economic Adviser, Ministry of Industrial Development.

TABLE VII

Rice : Wholesale Prices

(Rs per quintal)

State/Centre	Variety	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh Nizamabad	Coarse	1970-71	95.00	78.00	90.00	90.00	96.00	98.00	102.00	102.00	120.00	130.00	129.00	129.00
		1971-72	130.00	114.00	116.00	116.00	120.00	120.00	123.00	130.00	130.00	130.00	132.00	142.00
		1972-73	142.00	130.00	135.00	166.00	170.00	170.00						
Bihar Dumka	Coarse	1970-71	118.00	115.00	123.00	125.00	125.00	129.00	133.00	134.00	134.00	139.00	138.00	142.00
		1971-72	105.00	123.00	120.00	125.00	137.00	137.00	142.00	160.00	165.00	16.500	165.00	163.00
		1972-73	135.00	140.00	160.00	155.00	163.00	175.00						
Gujarat Rajkot	Fine	1970-71	130·00	137. 50	135.00	156·00	122. 50	130. 02	133. 75	136. 25	137. 50	143. 75	141. 25	140. 05
		1971-72	137.50	142. 50	145. 61	151·25	161. 85	175. 25	160. 00	167. 50	175. 00	177. 50	180. 00	185. 00
		1972-73	210. 00	215. 00	220 00	247. 50	252. 00	240. 00						
Madhya Pradesh Durg	Coarse	1970-71	100.00	100.00	100.00	100.00	100.00	95.00	95.00	95.00	95.00	100.00	100.00	105.00
		1971-72	100.00	100.00	100.00	100.00	110.00	110.00	105.00	120.00	120.00	120.00	120.00	120.00
		1972-73	120.00	125.00	125·00	125.00	125.00	123.00						
Mysore Shimoga	Coarse	1970-71	90.00	84.00	95.00	100.00	100.00	108.00	100.00	112.00	103.00	112.00	118.00	118.00
		1971-72	11 .00	108.00	108.00	102.00	115.00	117.00	118.00	115.00	118.00	115.00	116.00	122.00
		1972-73	114.00	114.00	118.00	121.00	127.00	125.00						
Orissa Angul	Coares	1970-71	95.00	95.00	95.00	105.00	100.00	105.00	110.00	105.00	105.00	115.00	110.00	110.00
		1971-72	110.00	110.00	116.00	115.00	113.00	124.00	129.00	124.00	132.00	135.00	138.00	133.00
		1972-73	130.00	130.00	123.00	123.0	138.00	158.00						
Uttar Pradesh Balrampur	Coarse	1070-71	109.85	96.45	101.81	99.13	99.13	101.81	107.17	113.87	115.21	115.21	109.85	103.15
		1971-72	101.81	99.13	115.21	121.91	117.89	117.89	118.00	107.17	140.60	140.00	142.00	135.00
		1972-73	130.00	130.00	142.00	142.00	140.00	140.00						
West Bengal Sainthia	Coarse	1970-71	105.00	118.00	110.00	112.00	112.00	125.00	128.00	125.00	125.00	130.00	128.00	122.00
		1971-72	112.00	126.00	120.00	124.00	130.00	130.00	136.00	141.00	156.00	185.00	153.00	157.00
		1972-73	152.00	120.00	124.00	126.00	130.00	136.00						

TABLE VIII

Jowar : Wholesale Prices

(Rs per quintal)

State/Centre	Variety	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	Yellow	1970-71	67.00	70.00	69.00	69.00	66.00	68.00	68.00	74.00	80.00	97.00	103.00	94.00
Vijayawada		1971-72	75.00	90.00	75.00	75.00	76.50	83.00	80.00	90.00	95.50	89.00	94.00	87.00
		1972-73	105.00	105.00			85.00	85.00						
Gujarat	Yellow	1970-71	92.50	92.50	100.00	105.00	105.00	105.00	100.00	97.00	95.00	96.00	105.00	110.00
Surat		1971-72	110.00	105.00	90.00	100.00	95.00	95.00	95.00	94.00	95.00	95.00	95.00	105.00
		1972-73	105.00	120.00	140.00	140.00	150.00	150.00						
Haryana	Red	1970-71	42.00	43.00	50.00	51.50	51.50	54.00	53.00	53.00	43.70	43.70	55.00	55.00
Rohtak		1971-72	45.00	51.00	51.00	65.00	75.00	82.00	85.00	85.00	80.00	80.00	81.00	
		1972-73	78.00	83.50	88.00	104.00	105.50	119.00						
Madhya Pradesh	Yellow	1970-71	65.00	62.00	75.00	72.00	76.00	68.00	68.00	65.00	75.00	75.00	85.00	76.70
Ujjain		1971-72	83.00	78.00	76.70	82.00	82.00	83.00	84.50	90.00	90.00	96.50	103.37	82.20
		1972-73	60.00	67.50	65.50	76.50	67.70	75.00						
Mysore	Local	1970-71	90.00	95.00	95.00	99.00	93.00	89.00	86.00	88.00	88.00	93.00	95.00	96.00
Hubli		1971-72	97.00	95.00	95.00	95.00	96.00	95.00	95.00	94.00	100.00	114.00	114.00	116.00
		1972-73	120.00	125.00	125.00	120.00	128.00	138.00						
Rajasthan	White	1970-71	50.00	51.00	62.00	55.00	55.00	60.00	60.00	57.00	55.00	68.00	70.00	70.00
Ajmer		1971-72	65.00	68.00	83.00	79.00	85.00	90.00	88.00	05.00	93.00	97.00	93.00	86.00
		1972-73	96.00	109.00	107.00	114.00	103.00	108.00						
Uttar Pradesh	Mixed	1970-71	55.00	63.00	70.00	65.00	67.00	68.00	67.00	72.00	73.00	82.00	70.00	63.00
Jhansi		1971-72	67.00	70.00	74.00	73.00	76.00	71.00	77.00	88.00	90.00	84.00	90.00	95.00
		1972-73	86.00	60.00	70.00	72.00	75.00	75.00						

TABLE IX

Bajra : Wholesale Prices

(Rs per quintal)

State/Centre	Variety	Year	November	December	January	February	March	April	May	June	July	August	September	October
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	Local	1970-71	50.00	51.00	50.00	50.00	51.00	62.50	66.25	67.00	66.00	65.00	65.50	70.00
Anakapalli		1971-72	67.50	68.12	77.50	80.00	76.00	85.00	82.00	98.00	95.00	106.25	100.00	95.00
		1972-73	90.00	100.00	95.00	95.00	100.00	100.00						
Gujarat	Deshi	1970-71	61.75	66.25	57.50	63.75	58.05	53.75	55.00	62.55	62.50	69.00	66.25	73.00
Rajkot		1971-72	76.25	76.50	70.60	80.65	84.15	82.25	85.00	84.35	100.00	107.50	113.00	122.50
		1972-73	137.50	127.50	128.75	163.75	155.75	167.50						
Haryana	Coarse	1970-71	55.00	55.00	48.50	52.00	43.00	37.00	45.00	45.50	45.00	45.00	45.00	43.00
Hissar		1971-72	57.00	62.00	61.50	53.00	68.00	62.00	71.10	78.00	80.00	80.00	80.00	78.00
		1972-73	86.50	93.00	102.00	119.00	120.40							
Madhya Pradesh	Local	1970-71	70.00	60.00	65.00	62.50	55.00	60.00	60.00	62.50	63.75	67.50	66.25	65.00
Bhind		1971-72	60.00	63.75	68.12	72.50	68.00	68.00	62.50	62.50	70.00	80.00	80.00	76.25
		1972-73	98.75	76.25	78.25	85.00	83.12	87.50						
Maharashtra	Local	1970-71	80.00	85.00	71.00	60.00	56.00	52.00	57.00	61.00	64.00	75.00	65.00	
Akola		1971-72			67.00	69.00	70.00	72.00	85.00	87.00	100.00	91.00	97.00	95.00
		1972-73	112.10	125.00	114.00	131.50	144.00	157.00						
Rajasthan	Local	1970-71	61.00	60.50	50.00	45.00	43.50	38.00	40.00	42.00	44.50	52.50	44.00	54.00
Jodhpur		1971-72	55.00	60.00	60.00	60.00	67.00	70.00	72.00	79.00	84.00	80.00	93.00	90.00
		1972-73	100.00	105.00	115.00	125.00	125.00	129.00						
Tamil Nadu	Local	1970-71	58.75	60.00	65.00	67.50	66.25	65.00	65.00	67.60	71.25	75.00	75.00	73.00
Erode		1971-72	80.00	90.00	75.00	75.00	75.00	75.00	83.33	73.33	70.00	72.00	70.00	70.00
		1972-73	72.00	75.00	80.00	84.00	87.00	90.00						
Uttar Pradesh	Local	1970-71	57.00	64.00	60.00	51.00	53.00	50.00		55.00	57.00	60.00	50.50	53.00
Agra		1971-72	55.00	60.00	62.00	62.00	59.00	70.00	71.00	78.00	85.00	88.00	93.00	90.00
		1972-73	81.00	87.00	98.00	90.00	88.00	92.00						

TABLE X

Maize : Wholesale Prices

(Rs per quintal)

State/Centre	Variety	Year	Nov-ember	Dec-cmber	Jan-uary	Feb-ruary	March	April	May	June	July	August	Sep-tember	Octo-ber
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh		1970-71	49.25	49 80	54.25	53 00	51.60	53.90	57.20	61.00	66.75	65.75	64.00	53.25
Nizamabad		1971-72	63.00	66.50	69.00	69.25	73.00	68.00	70.75	78.00	86.10	93.30	80.40	81.80
		1972-73	83.60	79.00	77.90	94.00	91.00	106.25						
Bihar	Red	1970-71	55.00	55.00	54.00	62.50	65.00	70.00	72.50	78.00	64.00	70.00	75.00	87.50
Bhagaria		1971-72	82.00	75.00	80.00	80.00	85.00	80.00	76.25	80.00	80.00	95.00	95.00	92.50
		1972-73	75.00	78.00	85.00	95.00	97.00							
Gujarat	Yellow	1970-71	60.00	61.00	60.00	60.00	60.00	61.50	53.50	63.50	65.60	66.00	57.00	57.00
Pohad		1971-72	62.00	73.00	71.00	74.00	74.00	79.00	82.00	83.00	85.00	87.00	86.00	80.00
		1972-73	86.00	90.00	111.00	127.00	120.00	135.00						
Madhya Pradesh	Yellow	1970-71	57.00	60.00	75.00	79.00	78.00	78.00	78.00	78.00	80.00	80.00	65.00	58.00
Chindwara		1971-72	60.00	65.00	65.00	65.00	66.00	60.00	70.00	75.00	80.00	78.00	70.00	75.00
		1972-73	80.00	85.00	85.00	90.00	98.00	102.00						
Mysore		1970-71	62.00	60.00	69.00	63.00	62.00	55.00	58.00	64.00	65.00	78.00	63.00	60.00
Gokak		1971-72	60.00	66.00	68.00	66 00	65.00	65.00	75.00	80.00	86.00	90.00	88.00	82.00
		1972-73	87.00	92.00	95.00	98.00	114.00	118.00						
Punjab	Coarse	1970-71	55.50	55.00	57.00	54.75	54.00	55.00	56.00	55.00	56.00	65.00	55.00	55.00
Ludhiana		1971-72	55.25	48 00	64.50	63.25	67.00	69.00	68.00	75.00	82.00	82.00	74.00	62.00
		1972-73	62.50	60.00	61.00	61.70	61.00	59.00						
Rajasthan	Yellow	1970-71	56.00	55.00	61.00	56 00	56.00	55.00	62.00	63.00	58.00	60.00	58.00	56.00
Ajmer		1971-72	66.00	60.00	65.00	86.00	72.00	70.00	71.00	81.00	78.00	88.00	88.00	80.00
		1972-73	88.00	92.00	100.00	116.00	102.00	109.00						
Uttar Pradesh	White (FAQ)	1970-71	53.58	54.92	57.60	57.50	52.26	53.58	57.60	56.26	58.94	65.00	65.52	64.30
Bahraich		1971-72	66.98	75.00	83.05	85.74	72.34	76.00	78.00	90.00	85.00	85.00	85.00	72.00
		1972-73	64.00	72.00	82.00	75.00	70.00	68.00						

TABLE XI

Public Distribution of Foodgrains

('000 tones)

Months	1970			1971				1972				1973				
	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total	Rice	Wheat	Others	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
January	278	511	53	842	170	390	13	573	256	532	6	794	279	568	59	906
February	226	517	49	792	204	374	9	587	265	587	17	869	250	500	62	812
March	240	517	41	798	198	401	7	606	297	700	14	1,011	281	559	61	901
April	255	433	43	731	235	321	6	562	261	460	38	759				
May	278	359	51	688	239	305	8	552	272	581	20	873				
June	283	438	51	772	277	320	11	608	313	529	25	867				
July	305	467	51	823	291	332	18	641	347	520	32	899				
August	276	472	36	784	317	364	20	701	368	746	30	1,144				
September	285	461	29	775	332	408	17	757	384	811	20	1,215				
October	225	417	14	658	319	412	7	738	359	729	37	1,125				
November	200	391	12	603	335	436	9	780	299	657	12	968				
December	199	364	14	577	322	392	11	725	267	557	41	865				
Total	3,050	5,347	444	8,841	3,239	4,455	136	7,830	3,688	7,409	292	11,389				

Source : Department of Food, Ministry of Agriculture.

grower without at the same time being harsh to the consumer if the burden of food subsidy is to be contained within judicious limits. Here, it may be pointed out that an increase of Re 1 per quintal in the procurement price of paddy implies an increase of about Rs 1.50 per quintal in the corresponding issue price of rice or else it leads to an increase in the subsidy bill of around Rs 1.5 crores for every million tonnes of rice made available through the public distribution system. In this connection. the Commission also obtained the views of the different state governments in regard to what they considered to be the fair levels for the procurement prices for the next season. With a few exceptions, the suggested prices for the standard variety of paddy ranged from Rs 55 to Rs 65 per quintal. Taking into account these several considerations, the Commission is of the view that an increase of the order of one-sixth be allowed in the weighted average of the extant procurement prices for paddy, viz Rs 54 per quintal, to arrive at the corresponding price for 1973-74; the latter would thus work out to Rs 63 per quintal. (Table XII)

There has, of late, been a demand that the recent rise in the prices of inputs should be taken into account in determining the levels of procurement prices. In the absence of a national index of input prices, the Commission has attempted to construct a weighted index which broadly indicates the trend in the prices of different inputs taken together. While recognising that changes in input prices cannot be taken as an exclusive basis for any mechanical adjustment in procurement prices, the Commission would like to point out that the contemplated increase of the order of one-sixth in the weighted average of the existing procurement prices, comfortably accommodates the increase of around 8 per cent in the composite index of input prices for 1972-73 over that for the preceding year. Taking a long-

TABLE XIII

Paddy: Indices of Input Prices

(Base: 1961-62=100)

Items	Weight	1965-66	1971-72	1972-73
1. Human labour (hired)	35.23	133.7	210.3	222.3
2. Bullock labour	21.42	149.2	197.8	223.0
3. Fertilizers and manures	17.66	97.1	135.6	143.0
4. Pesticides	0.26	105.3	129.4	143.6
5. Seeds	11.13	136.7	204.3	231.2
6. Depreciation on implements, machinery and farm buildings	6.38	114.8	172.8	184.8
7. Operating cost of machinery	0.68	116.0	161.3	173.9
8. Irrigation charges	5.19	116.8	152.2	167.7
9. Interest on crop loans, working capital and other items	2.05	156.9	188.9	188.9
Weighted Index		129.1	187.4	203.0
Percentage increase in 1972-73				
(a) Over 1965-66		57.2		
(b) Over 1971-72		8.3		

Note: The provisional composite index of input prices in respect of paddy has been derived as the weighted average of the index numbers/indicators of prices in respect of hired human labour, bullock labour, seeds, fertilizers and manures, pesticides, depreciation on implements, machinery and farm buildings, operating cost of machinery, irrigation charges, interest on crop loans and working capital and other items, the weights being the simple average of the percentag of expenditure on these items for paddy cultivation as reported in the Farm Management Survey Reports for the states of Andhra Pradesh, Assam, Orissa, Punjab, Tamil Nadu and Uttar Pradesh for 1968-69/1969-70.

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er stretch of time, it would be seen that the increase in the contemplated procurement price for paddy over the weighted average of the corresponding prices for 1965-66—that being the first year for which procurement prices were determined by the Commission, which works out to 58.5 per cent, covers the rise of 57.2 per cent since then in the composite index of input prices; this needs to be viewed in the background of the fact that the per hectare yields too have increased over the period. (Table XIII).

In deciding upon the adjustment required in the procurement prices for the coarse cereals the Commission has taken into account the need for a qualitative step-up in the procurement of these cereals for building a buffer, should the size of the 1973-74 crop make this possible. A sizeable buffer in coarse cereals is necessitated by the sharp swings in their production and prices. The highly volatile character of the production of coarse grains derives from the meagre irrigation base of their cultivation and the further fact that they are extensively raised in areas where rainfall is irregular and inadequate. Moreover, the price elasticities of demand for these cereals being low, a given variation in production generates a sharp fluctuation in their prices. The failure of the crop in the hard core of the millet zone thus produces severe distortions in the inter-grain structure of prices as has been the case since the last year. If these distortions are to be kept in check and a measure of stability imparted to coarse cereal prices, a buffer stock of requisite size becomes a necessity. Without an adequate cushion of the buffer, any large scale tampering with the market for these commodities would be ineffective and even lead to adverse consequences. (Table III to VI and VIII to X)

In view of the considerations set out above, the Commission recommends that the levels of the procurement prices that may be assured to the grower on the eve of the sowing season for the 1973-74 kharif crops be fixed uniformly throughout the country as shown in the table below, for the standard varieties of the respective cereals.

The prices recommended being for the standard varieties, those for the other varieties may be fixed keeping in view the normal varietal differences.

Procurement Prices for Standard Varieties of Kharif Cereals for the 1973-74 Season

(Rs per quintal)

Cereal	Price
1	2
Paddy	63
Jowar	63
Bajra	65
Maize	63
Ragi	62

It would be recalled that for each of the coarse cereals, as also for wheat, the procurement prices fixed in recent years have been uniform throughout the country. In line with its endeavour in the previous years to narrow down the inter-state disparities in the procurement prices for paddy, the Commission is recommending for the 1973-74 season a uniform price for the standard varieties of paddy throughout the country. (Tables XIV and XV).

In so far as the pertinent price to be assured to the grower from the point of view of his sowing decisions is the price of paddy, the Commission is not recommending the procurement prices for rice at this stage. In view of the considerable inter-state disparities in the hulling/milling ratios and the processing and incidental charges, there is need for the union government and the Food Corporation of India to undertake, in consultation with the state governments the rationalisation of the cost structure pertaining to the processing of paddy. The more the procurement of paddy is intensified, the greater is the urgency for this exercise.

The Commission would like to conclude this Report by emphasising that the increases recommended in the procurement prices in the context of the objective of enlarging the procurement of these cereals could significantly enhance the total subsidy bill unless the issue prices too are suitably adjusted. When inflationary pressures are rampant in the economy, it would be unrealistic to freeze a few prices at a given level on a continuing basis. Besides, in the present situation of shortage when the consumer has to supplement the limited supplies from the public distribution system with the purchases from alternative outlets at much higher prices, it should be a relief to him if he could meet his requirements more adequately through the public distribution system even though at moderately higher prices. Since the appropriate thing to do would, of course, be to drain out the element of subsidy from the issue price at which grain is made available to the relatively affluent sections of the population, the Commission would suggest that the issue prices be suitably revised subject to differentiation between the poorer and the better off segments of the community.

TABLE XIV

Procurement Prices for Paddy

(Rs per quintal)

State	Standard variety	Fixed for 1972-73	Recommended for 1973-74
Andhra Pradesh	Akkullu	53.00	63.00
Assam	Winter Sali (Coarse)	56.25	63.00
Bihar	Coarse	56.25	63.00
Gujarat	Sathi	56.00	63.00
Haryana	Begmi	53.00	63.00
Jammu & Kashmir	Coarse	53.00*	63.00
Kerala	Palghat Matta	56.25	63.00
Madhya Pradesh	Gurmatia	56.00	63.00
Maharashtra	Coarse	58.00	63.00
Mysore	Coarse (Raw)	52.00	63.00
Orissa	Coarse	55.00	63.00
Punjab	Begmi	53.00	63.00
Tamil Nadu	Co. 25	51.00	63.00
Uttar Pradesh	Grade III	56.00	63.00
West Bengal	Common	56.00	63.00
Others	Coarse		63.00

*For Jammu

Source: For 1972-73 figures, Department of Food, Ministry of Agriculture.

TABLE XV

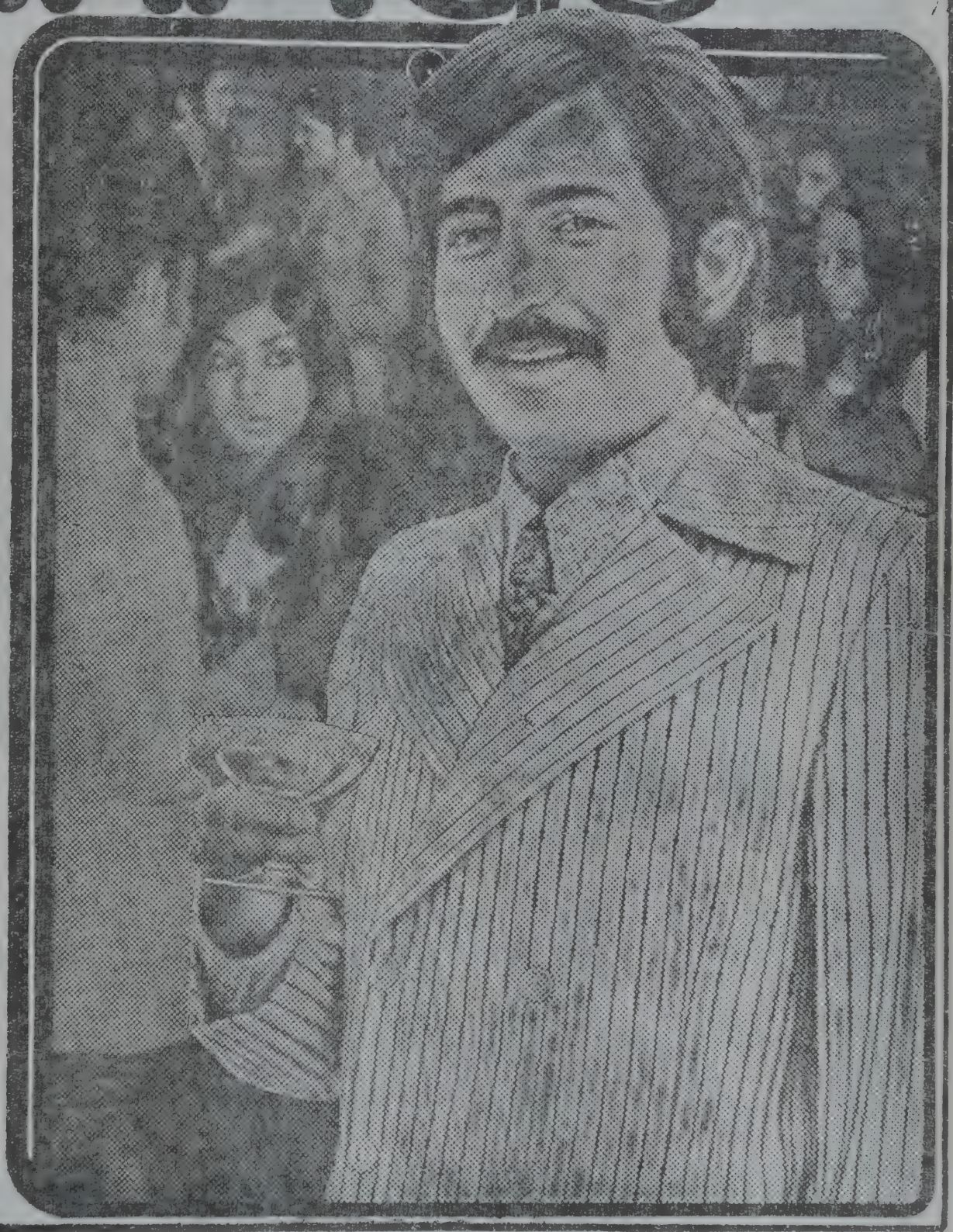
Procurement Prices for Kharif Coarse Cereals

(Rs per quintal)

Cereal	Fixed for 1972-73	Recommended for 1973-74
Jowar (FAQ)	58	63
Bajra (FAQ)	60	65
Maize (FAQ)	58	63
Ragi (FAQ)	57	62

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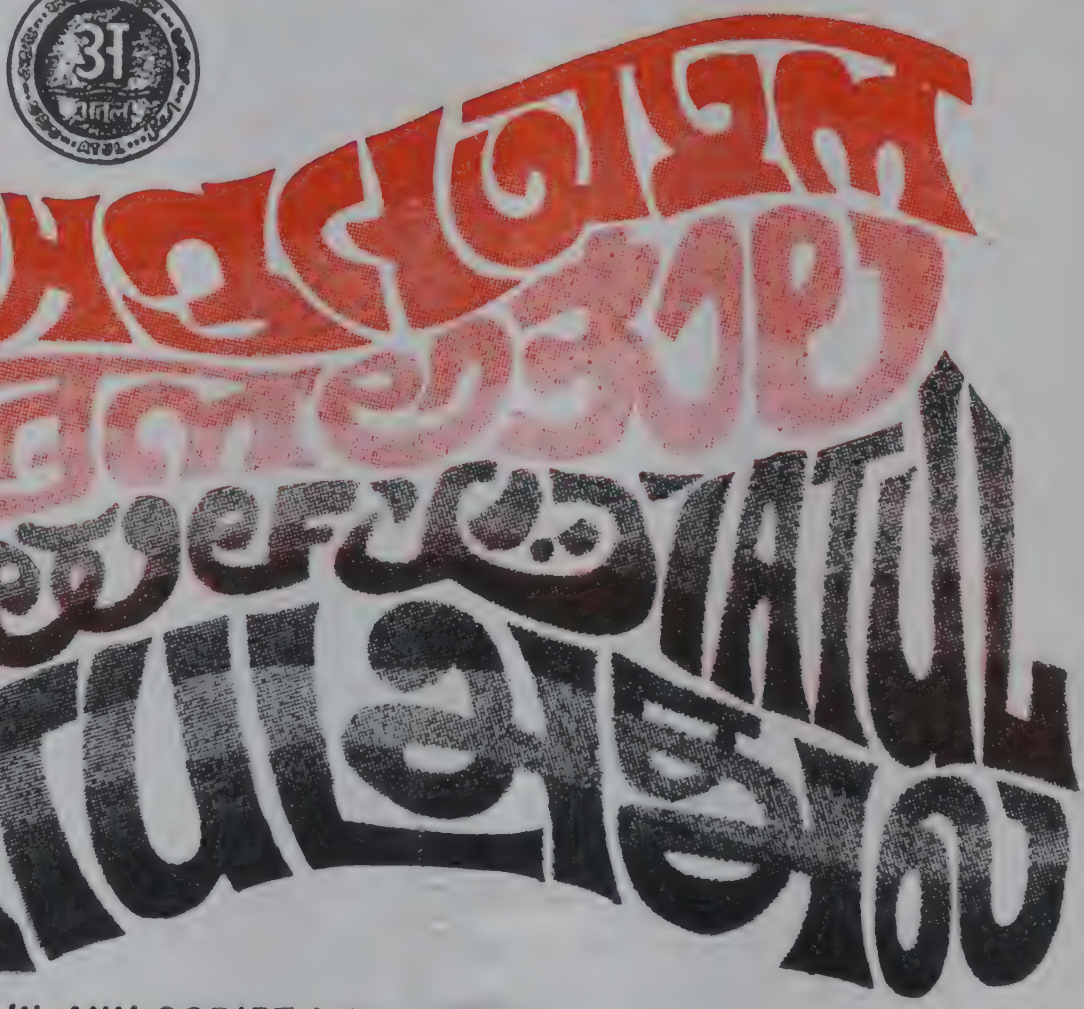
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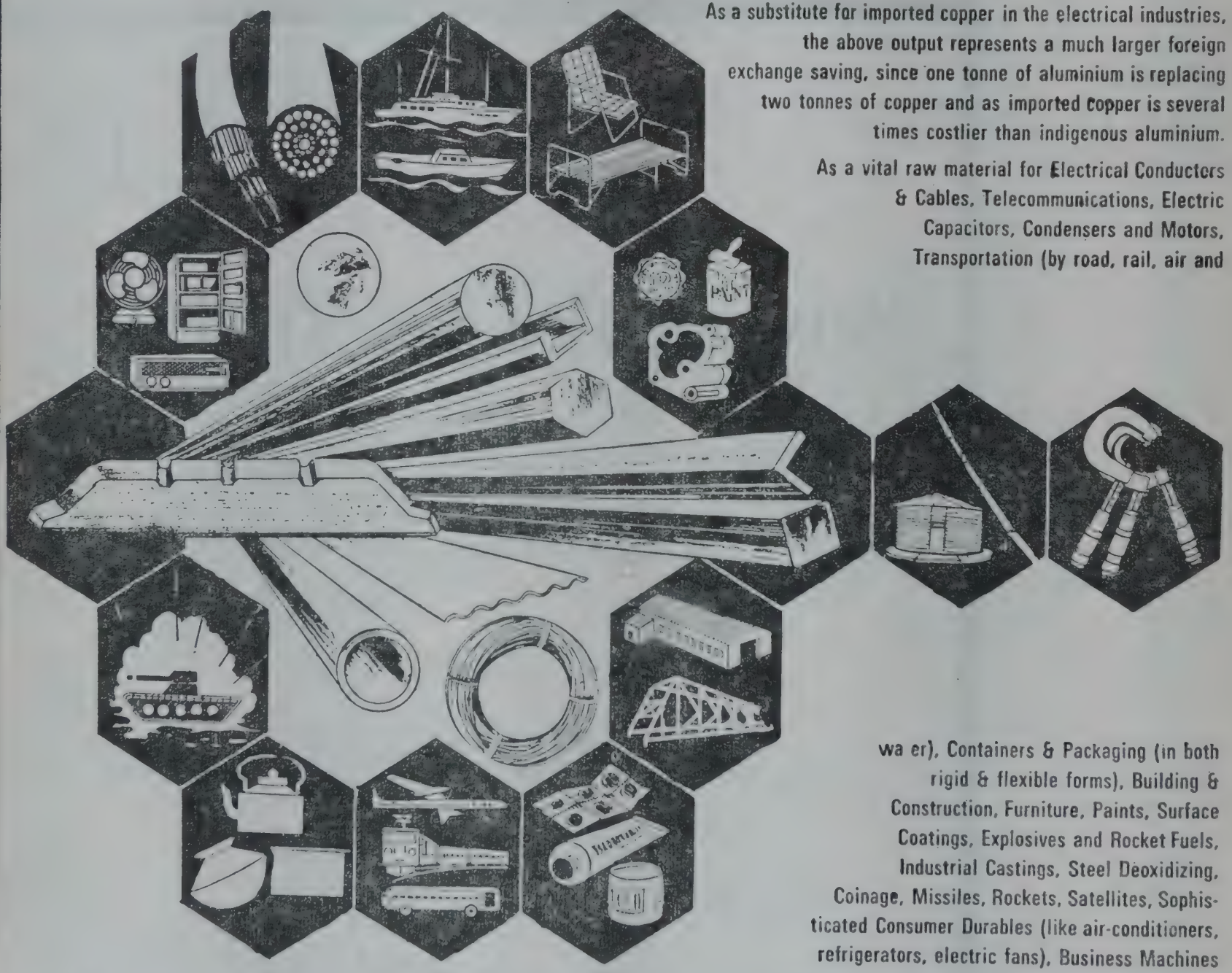
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Between Tito and Trudeau

LIKE THE woman in Dorothy Parker Mrs Gandhi knows many languages. This is a large accomplishment, but not a sufficient one. It is great to know a number of languages but it is even more desirable that one should know when to say 'yes' or 'no', as the case may be, in all of them. In Canada the prime minister spoke a lot in English and a little in French and, unlike the woman in Dorothy Parker, she evidently knew when to say what. The joint communique issued at the conclusion of her visit to that country indicates that "early consideration" will be given "to further Indo-Canadian co-operation in India's efforts towards self-reliance by supply of foodgrains, edible oils and fertilizers including potash." In plain language this means that India has asked for and Canada agreed to provide critical materials the former is short of. Canada has a record of enlightened aid and development assistance to our country and its latest promise of more of such assistance therefore does not exactly amount to a major new development in its policies towards India. What is therefore to be really admired here is the semantic flexibility which enables the government of India to apply for and accept aid as a derivative of its mission to make our country's economy self-reliant. It may be noted that her government's command of the English language is no less impressive than the prime minister's own fluency in French.

Before going to Canada the prime minister had been visiting Yugoslavia. Whether this programme too gave her an opportunity for displaying her multilingual competence is not known. What is on record however is that the main outcome of her talks with President Tito was an exhortation jointly by Yugoslavia and India that the government of Israel should quit occupied territory. The prime minister of India is of course familiar with the serving of 'quit' notices. She and her party-men have been demanding that poverty should quit India immediately. It is of course true that poverty has not obliged. But this is no reason for assuming that the Israelis would be equally recalcitrant. In any case there was not much else that could have been put into the joint communique issued from Belgrade. Yugoslavia, after all, has no surplus wheat to share with our country; nor is that land flowing with edible oils.

It is strange that many of the world's great political leaders should have a masochistic strain in their mental make-up. Normally it should have been possible even for prime ministers to combine a little pleasure with business when they undertake those strenuous tours abroad for the good of their respective countries. Unfortunately, they seem to go out of their way to make it all an affair of "all work and no play." In any case it seems to have been decided that the prime minister needs a holiday in the Simla hills so that she could rest and recuperate after the strains of her Yugoslav and Canadian visits. Whether she would have nominated the next chief minister of Bihar before she embarks on this tour or whether she would do so after she has become refreshed in mind and body is not yet known. It has been repeatedly demonstrated, however, that states could be administered without there being chief ministers or indeed any minister. There does not seem to be any particular need therefore for the prime minister to tax her travel-jaded mind immediately. She could therefore very easily let Patna wait until she has had her Himalayan holiday. The delay, moreover, could usefully be utilized by Mr L.N. Mishra to debate with himself whether it would not after all be more fair to all concerned if he himself were to assume responsibility as Bihar's chief minister.

With the monsoon still playing hide-and-seek on the west coast, the country has perhaps not much time to watch and be amused or upset, as the case may be, by the political antics of the prime minister's party-men but even so it may not have entirely escaped the attention of the electorate that the massive mandate it had given only two years ago to the prime minister's party to set up stable state governments in most of India has been frittered away. President's rule has been substituted for popular government in four cases already—and the rot still threatens to spread. On the eve of the fifth Plan, which is seeking to rely heavily on the people's involvement in the development process, a situation of this kind must seem not merely to be seething with irony but to be pregnant with tragedy. Last week, in Bombay, the minister for Petroleum and Chemicals openly said that the various Congress chief ministers were no more than men holding office at the pleasure of the prime minister. Mr Borooah is probably right. In any case, up to the time of writing, no chief minister has been heard to protest. But would Mr Borooah seriously argue that a state of affairs in which chief ministers are mere nominees of the prime minister brings credit either to the prime minister or to the party of which she happens to be the leader ? It is possible that President Tito may see nothing wrong in all this, but what does prime minister Trudeau think?

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Towards zero aid?

THERE ARE clear indications that this country will receive during the current financial year larger financial assistance from developed countries than what was received last year. The Aid-India Consortium which met in Paris on June 15 broadly accepted the recommendation of the World Bank to provide economic aid equivalent to $ 1200 million though actual commitments were expected to be around $ 1100 million (Rs 815 crores). Apart from a small quantity of debt relief, this did not include the US commitment which is dependent upon the approval of the Foreign Exchange Bill for the fiscal year 1974. However, the bulk of the aid which has been committed by the donor countries for the current financial year will be absorbed by the repayments of old debts and interest thereon. Mr M.G. Kaul, Economic Affairs secretary in the ministry of Finance, who presented this country's case for increased aid at Paris is of the view that net foreign aid this year would be no more than $ 260 million (Rs 195 crores). While disbursements of aid, including fresh pledges and those in the pipeline, would total $ 980 million, repayments would account for as much as $ 720 million. Thus the net aid received this year would be lower than what had been anticipated in the current year's budget by about Rs 20 crores.

The increased emphasis on domestic resources during the last six years has seen a steady fall both in gross and net inflow of aid. In 1967-68, the gross foreign assistance (including PL 480 assistance) received by our country was Rs 1,196 crores though the net inflow after taking into account repayments was lower at Rs 863 crores. Last year, i.e. in 1972-73, the gross aid received was significantly lower at Rs 626 crores while the net inflow was no more than Rs 123 crores. By comparison with last year, the current year's receipts—both gross and net—would show a welcome improvement. In view of the difficult situation caused by the drought, the failure on the power front and the government's bungling over the procurement programme of the rabi crop, it was feared that if the Aid-India Club did not increase the quantum of assistance and kept it at the same level as the last year, then the repayments of old loans would be nearly equal to the gross aid received causing severe strain on the balance of payments situation. Surely the donor nations have caused some relief in this country by accepting the advice of the World Bank. It seems that the World Bank report on our economic situation has not been too critical as it has "commended the overall performance of the Indian economy in these difficult circumstances."

The drop in net assistance to this country was especially due to the attitude of the USA which extended no credit during the past two years. At Paris, however, the US attitude was markedly changed. The fact that the US had already released the frozen assistance of $ 87 million was a clear pointer to its changed policy. It may be recalled that in his latest report on US foreign policy for the seventies, President Nixon had stated that "both the United States and India are interested in defining a new basis for a mature economic relationship between us over the longer term." While the USA is reported to have made no firm commitment at Paris, it has shown its willingness to discuss this country's needs bilaterally. The sympathetic attitude of the UK, West Germany and Japan coupled with the helpful posture of the USA has thus paved the way for an increased flow of aid to this country.

The fourth five-year Plan had estimated the receipt of Rs 2,614 crores by way of foreign assistance (including PL 480 assistance). The mid-term reappraisal had toned down this figure to Rs 2,540 crores. If the level of assistance in the current year turned out to be around $ 1,100 million (about Rs 815 crores) as stated by Mr M. G. Kaul, the gross aid received during the current plan period would be nearly Rs 3,900 crores. Surely, it includes some of the spill-over of aid from the previous Plan period though the current year's enhanced expected aid has done a lot to raise it sizeably above the stipulated target. It is thus clear that the fourth five-year Plan target of receiving Rs 2,540 crores by way of foreign assistance would be exceeded by a comfortable margin. The net inflow of aid, however, in the fourth Plan period would be around Rs 1,500 crores or Rs 300 crores a year.

The Planning Commission's "Approach to the Fifth Plan, 1974-79" released in January this year played down foreign assistance while estimating the size of the financial resources under different heads. Out of a Plan of the order of Rs 51,116 crores, foreign assistance was estimated to be around Rs 1,203 crores at 2.3 per cent, the lowest percentage for any Plan period. Even though these figures are tentative and there is bound to be a drastic change in the monetary size of the Plan due to the sharp increase in prices, the share of assistance likely to be realised from abroad is not expected to be increased drastically in view of the increased emphasis on domestic resources. This viewpoint was stressed by the prime minister during her recent foreign tour. In Canada she said that "we want to solve our problems mainly through our own hard work and resolution," In response to a question at a French TV interview in Montreal, Mrs Gandhi said that India was determined to reduce net foreign aid to zero by the end of the fifth five-year Plan period. The aid received from friendly countries would thus be used only as a catalytic agent to get the maxi num out of indigenous resources.

Mere determination to reduce the inflow of foreign assistance is not enough. This country's big problem during the next Plan period is expected to be that of debt servicing. The amortisation and interest payments during the fourth five-year Plan were of the order of Rs 2,500 crores and a similar amount is likely to fall due in the naxt Plan period as well. This country's main concern thus is to gain time in the repayment of old debts and therefore in all future discussions with the donor countries, an effort would have to be made to reschedule the repayments programme.

The role of the World Bank in pressurising the developed countries to extend increased assistance to developing countries including India is indeed commendable. This country has however to learn a lesson from its past policy of inviting assistance at high rates of interest which is currently becoming a great burden for the economy. Attempts will have to be made to seek the largest share of aid in future from multinational agencies such as the World Bank and its subsidiary the International Development Agency (IDA). The soft loans of the IDA are especially suitable for this country as they carry a nominal rate of interest and a long period—extending over 40 years—for repayment. The IDA has recently sanctioned a loan of $ 80 million to support the telecommunication project in this country for which assistance has also been received from Hungary and Canada. More aid from the IDA may be sought in the coming years.

Since the procurement programme in regard to wheat in the rabi season has failed miserably, this country has no option but to import increased quantities of foodgrains this year. Though officially it is claimed that the total food imports would not be more than 4.5 million tonnes, it is felt in the capital that imports might have to be raised to six million tonnes. The secretary of the central ministry of Agriculture, Mr C. L. Joneja, has already

gone on a world tour to expedite purchases of foodgrains. While Australia has already indicated that it has no surpluses of foodgrains, this country has now to tap suppliers in the USA and Canada. The burden of increased food imports is likely to result in curtailment of imports elsewhere and, here, the government will have to be cautious. With the onset of monsoons, reports have been received from some parts of the country that power cuts are being restored which implies that industrial growth will speed up only if the supply of raw materials does not lag behind. It is essential therefore that import cuts, if and when necessary, should not hurt the industrial sector which will start humming soon so as to end the shortages of a number of consumer goods.

A large proportion of our foodgrains imports will, without doubt, come from the USA which is currently approaching the question of aid in a sympathetic manner. While it has refused to commit itself to the quantum of aid this year and has left it entirely to bilateral negotiations, it is also keen not to hurt this country's feelings on this sensitive subject. During the past 25 years, foodgrains imports into this country from the USA ran into a formidable total and were received against rupees under the PL 480 programme. The settlement of PL 480 funds (equivalent to about Rs 2,500 crores) is itself to be negotiated and there is a strong possibility that a way would be found to write off this entire liability. Surely in an atmosphere of mutual respect and understanding, the question of bilateral aid would be sorted out amicably.

The power scene

THE POWER supply position has started easing in most parts of the country. Consequently, the severe cuts on consumption imposed after October last are being progressivly relaxed. The improvement has been particularly significant in the northern and western regions. In the former zone, increased melting of snow in the Himalayas in May, which has been followed by fairly heavy rains in the catchment area of Gobind Sagar, has helped in raising generation at the Bhakra and Nangal power stations. Similarly, the rise in the flow of water into the Rihand reservoir has led to some improvement in power supply from this hydel station. There has been a progressive increase in the availability of energy from the first unit of the Rajasthan atomic power plant which went on stream recently.

The recommissioning of the Tarapore nuclear power station in Maharashtra, which had been shut down for refuelling, has been helpful in raising availability of power in the western zone, although there have been some trippings at this station due to inadequacy of distribution system to carry load. The Dhuvaran power station in Gujarat too is now in a position to operate to full capacity thanks to the resumption of normal fuel supplies. In the southern region, there has been some increase in power supply from the Neyveli station as a result of the diversion of lignite from the production of LECO briquettes to power generation. The situation in the eastern region has eased somewhat with the onset of monsoons and resumption of full generation at Patratu, Waria and Bokaro power stations, following the completion of repairs which had been held up due to lack of spares.

The power supply is expected to improve further in the next couple of weeks when monsoons get into full swing. This is because the last year's sharp deterioration in supply was primarily due to the serious shortfall in the generation of hydel power. The drought had left most of the reservoirs feeding hydel stations half empty. In the course of a month or so, the generation capacity too is likely to be augmented by 560 MW through the commissioning of the first 100 MW unit at the Badarpur thermal station and the first 100 MW unit at Obra in the northern region, the first 100 MW unit at Kothagudem and the 110 MW second unit at Ennore in the southern region, and the first unit of 120 MW at Santaldih in the eastern region. The completion of several transmission lines—among these are quite a few inter-state lines—should be helpful in transferring power from surplus areas to the deficit states.

The improvement in supply, however, may not be to the extent anticipated early this year. Two factors are mainly responsible for this. First, some of the projects expected to be commissioned by September are not likely to go on stream by then. The most important among these is the fourth unit of 120 MW at Chandrapura (DVC area) in the eastern region. This unit is now expected to be commissioned only in December. Secondly, much depends on the availability of coal supplies to the thermal power stations and their continuous maintenance to keep them in good shape. No doubt, all efforts are being made to meet the coal requirements of thermal stations but bottlenecks can arise both in regard to production and transport of coal.

There is no denying the fact that after the nationalisation of non-coking coal mines last year, the output of coal has registered a decline. A slight improvement has been witnessed in the past couple of months, but production still leaves much to be desired. The somewhat increased availability of power in the coal mining areas should be helpful in raising production in the coming months, but it is an admitted fact that there are various other constraints also on the augmenting of coal output. The most important among these is labour indiscipline. Transport bottlenecks cannot be ruled out because of the necessity to move large quantities of foodgrains to the deficit areas.

The immediate tasks to be attended to, in the interest of raising power supplies expeditiously, thus, are to step up coal production and to see that transport bottlenecks do not stand in the way of the optimum utilization of the thermal energy generation capacity which is already there as well as the capacity which is likely to be commissioned in the next few months. The problem of frequent trippings at the Tarapore nuclear power station too ought to be thoroughly gone into if the supply of power from this source in the western region is to be ensured on a regular basis.

It will, however, be presumptuous to assume that power shortages in the country will be completely overcome by the end of this year or even by the end of the next Plan. The current Plan aims at augmenting power generation capacity from 14.3 million to 23.1 million KW. after retiring about 0.4 million KW of obsolete installations. But according to the latest assessment of the central ministry of Irrigation and Power, the installed capacity during the first four years of the Plan, i.e. up to 1972-73, has gone up only to 18.06 million KW. Anticipations are that during the current year, capacity to the extent of 2.1 million KW might be added. The total installed capacity at the end of the current Plan, after scrapping the 0.4 million KW of obsolete capacity, thus, will be around 19.68 million KW. This will fall short of the target by 3.42 million KW. On this reckoning, the addition to the power generation capacity during the fourth Plan period is likely to be only to the extent of about 63 per cent of the target.

Three main factors are said to have been responsible for the failure to achieve the fourth Plan power development target. These are (i) delays in the delivery of main plants (1.44 million KW); (ii) delays in the placement of

orders for the main plants (0.67 million KW) and (iii) non-completion of civil works (1.31 million KW.). The primary reason for the delays in the delivery of main plants is reported to be the shortage of steel and the unsatisfactory working of the Heavy Engineering Corporation which supplies castings and forgings to the heavy electrical equipment manufacturing units in the public sector. The performance of Heavy Electricals (India) Ltd, Bhopal, too still leaves much to be desired. The delays in the placement of orders for the main plants are attributed primarily to late clearing of projects and lack of funds with the state electricity boards. Cement and steel shortages are responsible for the non-completion of civil works at some projects.

The government of India is stated to be seized of all these problems. They may also come up at a meeting of the state power ministers at Kodaikanal to be held early next month. In view of the severe damage that has been done to the economy by the last year's power shortage, it is imperative that the raw material requirements of this infrastructure field are accorded a high priority. In the interest of augmenting steel supplies, a decision is reported to have been taken to import one million tonnes of scarce categories of steel this year. This, however, may not suffice because the domestic production has suffered a fairly serious setback during the past two months due to inadequacy of power. It remains to be seen whether the restoration of full supplies of power to steel plants will raise production to the extent desired.

So far as placement of orders for equipment is concerned, the revised formula for payment to manufacturers, under which 10 per cent of the cost is to be paid along with the order, balance up to 88 per cent to be paid agaist receipt of consignments and the remaining two per cent on completion of satisfactory performance for 12 months after the commissioning of equipment or on the expiry of 18 months after the receipt of the last consignment whichever is earlier, will undoubtedly further strain the resources of state electricity boards. Till lately, only five per cent of the cost was to be paid at the time of the placement of orders, 90 per cent against proof of despatch of each consignment and the remaining five per cent within 12 months of satisfactory commissioning of units. This warrants that the resources of state electricity boards should be augmented in all possible ways and also the centre should go in for setting up at least some new projects. The intervention of central government in the power generation field is as well called for an account of the inter-state differences on the utilization of water resources on production of hydel power.

If a lasting solution to the power problems of the country is to be found, it is necessary that we should plan in future not for marginal shortages but for marginal surpluses. It is encouraging to note that, with this purpose in view, the seventh conference of the chairmen of state electricity boards, held in New Delhi a few days ago, called for a 10 per cent increase in the hitherto fixed fifth Plan target of adding 20 million KW of generation capacity. The mere sanction of this increase, however, will not do. The implementation of power projects has to be made much more effective than has been the case so far.

Regulation of foreign exchange

THE JOINT Committee of Parliament has proposed a number of improvements to the Foreign Exchange Regulations Bill, 1972, and if these are accepted, it will help to remove some major anomalies in this important legislation. This bill was introduced in the Lok Sabha on August 29 last year and it was referred to the Joint Committee of the Houses in September. The committee was asked to submit its report by the middle of November 1972 but it was able to adopt the report only in April this year. The committee did the right thing in seeking extension of time since it would be unwise to rush through a bill of such significance. The committee's report will be considered by Parliament during its monsoon session.

The objectives of the Bill are "to consolidate and amend the law regulating certain payments, dealings in foreign exchange and securities transactions indirectly affecting foreign exchange and the import and export of currency and bullion, for the conservation of the foreign exhange resources of the country and the proper utilisation thereof in the interests of the economic development of the country."

One of the important changes proposed by the committee relates to the period within which the Reserve Bank is to communicate its decision to an exporter on his application for permission to sell his goods for a value less than what was originally declared by him. Many business organisations had represented to the committee that genuine difficulties would arise in realising the full export value of goods due to unforeseen reasons. The committee has agreed that the period of 60 days is too long and is likely to cause hardship to the exporter. It has proposed that 20 days would be quite reasonable for this purpose.

The committee has proposed a new clause (clause 27) to regulate Indian participation in the trading, commercial and industrial activities in foreign countries. The committee has felt that this is necessary in order to remove any possibility of foreign exchange being misused. This clause gives wide powers to the government and to the Reserve Bank to impose such conditions as they may consider necessary from time to time on

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The figures of the sea borne trade of India for the year ending 1942-43 reveal the same tendencies as the figures for the eleven months ending February, 1943, analysed in a previous issue. The total volume of exports fell by Rs 58.35 crores to Rs 194.55 crores as against Rs 252.90 crores in 1941-42, and imports fell by Rs 62.82 crores to a level of Rs 110.45 crores as against Rs 174.27 crores in 1941-42, thereby making for an increased balance of trade of Rs 84.10 crores in 1942-43 as compared to Rs 79.94 crores in 1941-42. Exports to Empire countries fell by Rs 23.09 crores to Rs 125.85 crores and to other countries by Rs 26.89 crores to the low level of 61.74 crores. Export, to the USA fell by Rs 18.80 crores. Imports from the British Empire fell from Rs 105.63 crores in 1941-42 to Rs 61.32 crores in 1942-43, i.e., a decrease of Rs 44.31 crores and imports from other countries recorded a decline of Rs 18.51 crores. The U.S.A. imported less from India by Rs 15.16 crores. The war time restrictions have emphasized the growth of Empire trade. Analysis of the figures of different classes of imports shows that all kinds of manufactured imports have fallen worsening internal scarcity of commodities.

those who wish to associate themselves with any activity of a trading, commercial or industrial nature.

The committee has suggested that, in keeping with the existing policy of the government not to allow, except in special circumstances, fresh foreign equity participation in excess of 40 per cent, the expression "forty per cent or more" occurring in certain clauses of the bill should be changed to "more than forty per cent". It has also proposed some changes in the bill relating to the restrictions on the employment of foreigners. It has suggested that a foreigner, taking up gainful employment or occupation in India, should require the Reserve Bank's permission only where the liability for remittance of foreign exchange will arise as a result of such employment. Under the existing provision in the bill, the person employing the foreign national is to obtain the permission of the Reserve Bank. But, according to the committee's proposal, the foreign national has the responsibility to obtain the Reserve Bank's consent.

The committee has proposed a new clause to check the leakage of foreign exchange through tourism. Under this clause, the central government is empowered to direct that every person resident outside India and who is on a visit to India shall, for discharging such of his liabilities as may be mentioned in the notification, make payments only in such currencies as may be prescribed therein. However, the central government may exempt any person under this provision if it is expedient in the public interest to do so.

The other important changes proposed by the committee are in regard to the personnel, powers, and procedures of the Foreign Exchange Regulation Appellate Board as well as the penalties to be imposed for violation of the rules. The committee has suggested that the chairman of the appellate board should have legal qualifications. He can either be a person having held a civil judicial post for at least 10 years or who has been a member of the central Legal Service (not below Grade I) for at least three years or a practising advocate for at least 10 years. The committee has also made some proposals to ensure that there is no hardship in cases where persons violate the rules unintentionally.

The committee has introduced a new clause incorporating the factors to be taken into account by the central government and the Reserve Bank while giving or granting permission or licences under this Act. This clause (clause 76) is as follows: "Same as otherwise expressly provided in this Act, the central government or the Reserve Bank, as the case may be, shall, while giving or granting any permission or licence under this act, have regard to all or any of the following factors, namely.

(a) conservation of the foreign exchange resources of the country;

(b) all foreign exchange accruing to the country is properly accounted for;

(c) the foreign exchange resources of the country are utilised as best to subserve the common good; and such other relevant factors as the circumstances may require".

These guidelines are rather vague. The government and the Reserve Bank should take special care to use their new powers with considerable caution.

On the whole, the joint committee's recommendations are a definite improvement on the bill. It remains to be seen to what extent Parliament will accept them. But, how far the bill succeeds in its main objective of conserving the foreign exchange resources of the country will depend mainly on the manner in which the government of India and the Reserve Bank actually implement its provisions. The bill vests vast powers of discretion in the Reserve Bank. It is essential therefore that the Reserve Bank should use them effectively and at the same time with some flexibility so that unnecessary difficulties are not caused to those who are engaged in foreign trade or set up joint ventures abroad or on foreign companies and technicians operating in India.

It is hoped that the Lok Sabha and the Rajya Sabha will give careful consideration to the report of the joint committee in view of the importance of the bill to the country's economic development. In his minute of dissent, Mr. Babubhai M. Chinai, has made a pertinent observation. "For twenty-five years now", says Mr Chinai, "our policy has been to look upon a company as a foreign company where the foreign holding is more than 50 per cent. Now this percentage has been reduced to 40 per cent. In my view, the new percentage should not be tampered with either frequently or light-heartedly and must have stability for a reasonable period of time". On the other hand, the communist members of the joint committee have suggested more stringent controls on foreign companies. For instance, Mr Jyotirmoy Bosu, a member of the committee, has proposed that any company having 15 per cent or more equity participation should be considered as a foreign controlled company. It is for Parliament to consider how best the bill is to be amended so that it can really help to promote the faster growth of our economy.

RECORDS AND STATISTICS

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Need-based wage: concept analysed

Federalist

ACCORDING TO the official summary of the third Pay Commission's report released early in April, the main demand of the central government employees was for a need-based minimum wage in terms of the norms accepted by the 15th Indian Labour Conference in 1957. This would have meant a minimum wage of Rs 314 per month, on the calculations made by the Pay Commission, and the latter decided against it on the ground that such a wage for only a section of the working population would amount to a mis-direction of resources, in view of the unemployment and prevailing wage levels in agriculture, trade and industry. Instead, the Pay Commission evolved its own concept of the need-based minimum wage with different norms, and this was found to be equivalent to Rs 196 per month. Since this wage assumed three adult consumption units, which was unlikely to be true in the case of new and young entrants into government employment, the Pay Commission recommended a minimum wage of Rs 185 per month.

inadequate resources

This, of course, was not the first time the government and the Pay Commission were confronted with the demand for a need-based minimum wage. The Second Pay Commission set up by the government in 1957 also considered that the need-based minimum wage as envisaged by the Indian Labour Conference could not be accepted because of the inadequacy of the necessary resources in the economy. It said: "There can be little meaning in drawing up a budget satisfying nutritional and other standards, and decreeing that the minimum wage should correspond to the total cost of that budget, without considering whether the economy would be in a position to supply the goods and services postulated".

The same demand was prominent in the September 1968 token strike of the central government employees, and the government's categorical answer then had been: "The concept as an unexceptionable social objective. But it will not be just to consider it in isolation exclusively for the employees of the central government, ignoring the general body of industrial, agricultural and other workers. The issue in the wider context is already before the National Commission on Labour."

possible repercussions

The government of India, in its memoranudm to the National Commission on Labour in 1968, had pointed out the need to consider the capacity of the government and of the country as a whole to pay such a wage, having due regard to the claims of growth and employment. The possible repercussions of such a wage for central government employees on the wage-structure of state governments and local bodies were also indicated, and the memorandum concluded with the following words: "It is not feasible to determine the minimum remuneration with reference to an elaborate standard of needs. The country does not have the capacity to afford such a need-based minimum."

The National Commission on Labour itself, in its report submitted in 1969, could not do much more than saying merely that the need-based minimum wage "may and can be introduced by convenient and just phasing, keeping in mind the extent of the capacity of the employer to pay the same." Its comment concerning the Minimum Wages Act—"the criteria in regard to minimum wage fixation will necessarily have to be flexible"—could be very well taken as its view on the Indian Labour Conference norms also, since these latter were discussed in the report without indicating any unconditional support on the part of the Commission. The report also gave the results of an exercise in estimation of the need-based minimum wage, but again without any comments, and the results showed that such a wage at the 1967 price level varied from about Rs 155 to Rs 225 per month in different industrial centres.

effect on consumers

The 22 wage boards appointed by the government in different years in respect of 19 industries (three industries having had two wage boards each) were all, in principle, inclined to accept the concept of the need-based minimum wage, but found it difficult to prescribe the same for the industries concerned. The report of the bipartite committee on the functioning of the system of wage boards, appointed by the National Commission on Labour in 1967, noted: "A majority of Central Wage Boards have come to the conclusion that the need-based minimum wage, according to norms adopted in the 15th Indian Labour Conference, has not been feasible because of one, or more often, a combination of the following reasons: (a) It would be beyond the capacity of the industry to pay. (b) It would unduly affect the relativity of wages among industries in the same region. (c) It would result in excessive and abrupt increase in wages. (d) It would be extravagance at the cost of the consumer on whom the burden of increased wages and salaries would fall".

This, however, does not mean that the wages recommended by the wage boards were inadequate. All the wage boards were required, **inter alia,** to work out a wage structure based on the principles of "fair wages" as set forth in the report of the Committee on Fair Wages (1948). The National Commission on Labour also has observed that the wages suggested by these boards "fall in the realm of fair wages, though at its lower level". While the fair wages thus ensured by the wage boards may have precluded further improvement on the considerations mentioned above, it

would not be reasonable to continue insisting on the need-based wage ignoring the equitable basis of the existing wage structure.

The Indian Labour Conference norms, which have thus been found impracticable by most of the wage-fixing bodies, are as follows: (a) in calculating the minimum wage, the standard working class family should be taken to consist of three consumption units for one earner; the earnings of women, children and adolescents should be disregarded; (b) minimum food requirements should be calculated on the basis of a net intake of 2700 calories, as recommended by Dr Aykroyd, for an average Indian adult of moderate activity; (c) clothing requirements should be estimated at a per capita consumptoin of 18 yards per annum which would give for the average worker's family of four a total of 72 yards; (d) in respect of housing the norm should be the minimum rent charged by the government in any area for houses provided under the Subsidised Industrial Housing Scheme for low-income groups; and (e) fuel, lighting and other 'miscellaneous' items of expenditure should constitute 20 per cent of the total minimum wage. The Labour Conference had also recognised the existence of cases where these norms could not be observed, and had decided: "Whenever the minimum wage fixed went below the recommendations, it would be incumbent on the authorities concerned to justify the circumstances which prevented them from adherence to the norms laid down.

concept of the norms

In view of the almost unanimous rejection of these norms by the government the Pay Commission and the wage boards on the ground of impracticability, it may be useful to probe deeper into the concept and scope of these norms.

As the National Commission on Labour said, the real difficulty lies in determining their "content and monetary qualification". The food norm of 2,700 calories, for instance, can be satisfied by any of the numerous possible combinations of different nutrients, and the cost would naturally vary with each combination. Clothing of 18 yards, yes, but of what class and quality? The housing norm may be somewhat less difficult to identify, but what of the miscellaneous expenditure being 20 per cent of the total? When the total itself is susceptible to wide variation according to individual preferences or prejudices, the 20 per cent norm cannot be be considered very helpful in estimation of wages. In other words, the norms are vague, and may be used only as broad guidelines in wage determination. Even if they are to be quantified arbitrarily, the estimates would be rendered unrealistic by the uncertain availability of the goods and services postulated in the norms.

Even so it is important to note that the minimum wages in large-scale undertakings in several industries are even today a fair approximation to these norms, and it is unjust to assume that the wages in other undertakings in the organised sector are being deliberately fixed at lower levels despite the paying capacity permitting observance of the norms. The advocates of the need-based minimum wage should remember that the managements of industries would also like to take a legitimate pride in the improved wages they can afford to give their workers whenever possible.

better-off workers

It is obvious that workers in the organised sector are better off than the far more numerous workers in agriculture and household industries, and that under the existing conditions giving higher wages to those already better off would inevitably be at the cost of the rest of the working population. For, money is a claim over the stock of goods and services available, and when those with more money appropriate a larger share, less would be available to those who follow. The less needy must wait until the more needy sections of the working class are given at least some relief. As to the grievance that they do not get the wages they deserve, in a poor country nobody gets what he deserves, for that is exactly the meaning of poverty. This is what the Prime Minister meant when she advised the trade unions in May 1971: "The demands for higher wages and other benefits by organised labour are understandable. But these have to be pursued within a policy framework which pays due regard to the general state of the economy and the interests of the unemployed".

When advocating the need-based wage one should also realise that needs cannot ever be the sole criterion for wage determination. Even the ILO Minimum Wage Fixing Convention, 1970, requires: "The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include: (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment".

unwelcome advice

Such advice, no doubt, would be unwelcome today, especially in the context of the steep rise in prices during the last few months and the visibly eroded real wages. Instead, everyone would be inclined to quote and agree with the National Labour Commission's conclusions that the real wages have lagged behind productivity increases and that the workers' share in value added by manufacture has declined, and to support the finding of the article in the July 1972 issue of the Reserve Bank of India Bulletin that the wage costs, as a percentage of the value of production, have fallen. However, the popularity of these observations is no guarantee of the validity either of what they actually mean or of what they have been misinterpreted to mean.

First, as to real wages, nobody can deny that they are being eroded by the rise in living costs, but at the same time nobody can allege a decline in money wages as having been a cause of the fall in real wages. According to the statistics collected under the Payment of Wages Act, the average annual wages per factory worker rose from Rs 1,540 in 1961 to Rs 2,655 in 1970, that is, by as much as 72.4 per cent.

Second, as to productivity increases, the National Labour Commission has succumbed to the popular fallacy of taking the ratio of value added per worker as an index of labour productivity. To explain briefly, the value added by manufacture is calculated by deducting the cost of raw materials and fuels and depreciation from the ex-factory value of output. This ex-factory value is generally arrived at by adding

to the cost of inputs purchased (i) the wages paid to workers, (ii) the expected return to management, and (iii) the expected return to capital, and this value is bound to be realised when the output is sold because of the scarcity conditions in the country. It follows that the value added by manufacture can thus go up simply because of an increase in wages. It is therefore strange that a rise in value added, caused by a wage increase, should be adduced as a justification for another wage increase!

Third, as to the fall in the workers' share in value added, the National Commission observed such a fall in respect of the manufacturing sector during the period the commission had chosen for analysis. The decline in the workers' share when taken in the aggregate is the result of the phenomenal expansion and diversification of the entire industrial sector in the national economy. The increasing dominance of capital-intensive industries, in which the workers' share in the value added is relatively small at the very outset, has been the primary factor responsible for the apparent decline. Individually, in most of the industries for which data were considered comparable by the National Labour Commission, the workers' share in value added showed an upward trend, in contrast to the decline in the aggregate.

expecting the impossible

To look at it from another angle, the ratio of value added per worker, when calculated by weighting the workers with their respective wages, becomes a ratio of value added to wages. If this ratio is then taken as indicative of labour productivity, then a rise in labour productivity results in a fall in the workers' share in the value added, and **vice versa.** To expect, therefore, that higher productivity thus indicated should be accompanied by a larger share of wages in the value added would amount to expecting the impossible.

Fourth, as to wage costs declining when seen as a proportion of the value of production, the popular reference in recent discussions, including the interim report of workers' representatives on the Bonus Review Committee, has been to Table I which appeared in the article published in the July 1972 issue of the Reserve Bank of India Bulletin.

Table I shows a decline over the years in the proportion of wage costs to the value of production, from 14.0 per cent to 13.2 per cent in the case of 290 large companies, and from 15.1 per cent to 14.5 per cent in the case of 1501 medium and large companies. This marginal decline has been seized upon by several people anxious to prove a deterioration in the workers' living standards, although the article itself clearly states that "this was a period of rising manufacturing and wage costs in absolute terms as well as in relation to increases recorded during the past". The wage costs of the 290 large companies increased from Rs 395.5 crores in 1965-66 to Rs 637.8 crores in 1970-71, that is, by 61.3 per

TABLE I

Trends in Manufacturing and Wage Costs of Public Limited Companies

Year	As percentage of value of production (at current prices)			
	Manufacturing expenses	Wage costs	Excise duty and cess	Total of (2+3+4)
(1)	(2)	(3)	(4)	(5)
	290 Companies			
1965-66	54.5	14.0	9.3	77.8
1966-67	54.9	13.5	9.2	77.6
1967-68	54.9	13 8	9.8	78.5
1968-69	54.7	13.8	10.8	79.3
1969-70	55.3	13.4	10.4	79.1
1970-71	54.5	13.2	11.2	78.9
	1501 Companies			
1965-66	57.2	15.1	8.1	80.4
1966-67	57.4	14.6	8.2	80.2
1967-68	57.3	15.0	8.6	80.9
1968-69	57.6	14.9	9.1	81.6
1969-70	57.9	14.5	8.8	81.2

TABLE II

Trends in Managerial Remuneration, Dividends and Profits Retained of Public Limited Companies

Year	As percentage of value of production (at current prices)			
	Managerial Remuneration	Dividends	Profits Retained	Total of (2+3+4)
(1)	(2)	(3)	(4)	(5)
	290 Companies			
1965-66	0.4	2.8	1.8	5.0
1966-67	0.4	2.7	1.9	5.0
1967-68	0.3	2.5	1.4	4.2
1968-69	0.3	2.3	1.2	3.8
1969-70	0.3	2.4	2.0	4.7
1970-71	0.2	2.4	2.0	4.6
	1501 Companies			
1965-66	0.4	2.3	1.3	4.0
1966-67	0.4	2.1	1.4	3.9
1967-68	0.3	2.0	0.7	3.0
1968-69	0.3	1.9	0.6	2.8
1969-70	0.3	1.9	1.4	3.6

cent, and the wage costs of the 1501 medium and large companies increased from Rs 689.5 crores in 1965-66 to Rs 958.1 crores in 1969-70, that is, by 39.0 per cent. On the other hand, the all-India consumer price index for industrial workers (1949—100) rose from 169 in 1965-66 to 215 in 1969-70 and to 226 in 1970-71, that is, by 27.2 per cent and 33.7 per cent respectively. Even allowing for a reasonable expansion in the employment in these companies during these years, it is obvious that the real wages of the workers concerned must have improved substantially.

It is difficult to say how much of the fall in the proportion of wage costs to the value of production could be due to the simple aggregation of data for different companies having different technologies and output-labour ratios and growing at different rates. Even otherwise, the misleading suggestion that the fall in the proportion of wage costs meant workers' exploitation for the benefit of employers could have been rebutted if the table had also included the additional percentages given in Table II (page 1274).

We see from the above figures given in Table II that the workers as well as the managements, shareholders. and industry have also had a fall in their respective shares. This is confirmed again by the 1970-71 data in respect of the 1501 medium and large companies published in the September 1972 issue of the Reserve Bank of India Bulletin. These companies paid by way of excise duty and cess Rs 369.8 crores in 1965-66 and Rs 580.4 crores in 1969-70, that is an increase of 56.9 per cent in four years. They also had to pay on their profits an aggregate tax of Rs 165.5 crores in 1965-66 and Rs 171.0 crores in 1969-70. None has gained. because the rise in production costs (the "manufacturing expenses" mentioned in Table II do not include depreciation, repairs to buildings and machinery, selling commission, etc.) and in government taxation have eaten into the shares of both labour and capital.

Inflation and international monetary system

Otmar Emminger

THREE YEARS ago, M. Pierre-Paul Schweitzer, the Managing Director of the International Monetary Fund, said in an address given at an International Financial Conference in Geneva: "Looking back at the 1960s, we can say that the international monetary system has been through something of an ordeal by fire. It survived that ordeal and has emerged with improved foundations." The "ordeal" he was speaking of was a series of crises around the pound sterling from 1964 to 1968 and the gold crisis of 1968. How then should we, in comparison, characterise what has happened since 1970 in the international monetary sphere? In order to keep the right proportion between the two periods, we would have to say: the international monetary system has been through an ordeal by holocaust. And as of now, it has not yet emerged with improved foundations—although we fervently hope that crisis will be converted into opportunity, and that an improved system will finally emerge.

It has always astonished me that one of the crucial points behind the breakdown of the old system seems to have been so little understood. Most people—including many monetary experts—seem to believe that the main problem was the unrest in the foreign exchange markets produced by distrust in parities and disorderly capital flows. Some people—economists as well as politicians—have drawn the conclusion that, in order to prevent such disorders in future, one should create very large facilities for financing such capital flows! unlimited financing through the IMF was advocated in the influential 'New York Times', and special automatic credit facilities in the Fund have indeed been proposed for such a purpose in the framework of the discussion on international monetary reform; European politicians have been suggesting large automatic financing facilities through the new European Monetary Fund for similar purposes. All this misses the real point. The previous regime did not break down because of the unrest in exchange markets. It has also rightly been pointed out that in spite of the currency disorders world trade has continued to expand by leaps and bounds; and in spite of a rush of controls against disequilibrating capital flows even international investment, in particular direct investment, is flourishing. Nor did the system break down because of a lack of financing facilities—European central banks had no lack of their own currency with which to buy up incoming dollars. It broke down because the limit of tolerance for the inflationary effect of such currency inflows had been reached. New financial facilities (or a "re-cycling" of short-term capital flows) would be no remedy for that but would just increase the potential for more inflationary capital flows.

Mr Otmar Emminger is the Deputy Governor of the Deutsche Bundesbank, Frankfurt. This is a paper presented by him at the tenth Lecture meeting of the Per Jacobsson Foundation, Basle, Switzerland.

So the previous system broke down because of its inflationary implications. This is worth stressing. One should take note of this fact in the present reform discussions, where so many objectives are being pursued but where sometimes the need for providing better protection against inflation is pushed into the background.[1]

The relationship between the world monetary system and inflation has not always been so unambiguous as during the recent currency crises. True, the system, and particularly its central part, the de-facto dollar standard, has been criticized by eminent experts as a "perfect

inflation machine". But on the other hand, in the first two decades after Bretton Woods the prevalent view, at least in the United States and Britain, was that the world monetary system had a "deflationary bias". Two reasons were advanced for that view: a one-sided adjustment process and an inadequate system of liquidity creation. It was assumed that a system of fixed parities exerted pressures for adjustment on deficit countries but hardly on surplus countries. This was the suspicion and fear which Keynes had at the Bretton Woods Conference (he feared a "contractionist pressure on world trade"). As time went on, this fear was transmitted to the United States, and it has lingered on there to this day. It has found its reflection in the American proposals for monetary reform whose main intention is to put more adjustment pressure on surplus countries.

A second reason for fearing a deflationary bias was the view of the Triffin school that a system which relied mainly on the creation of dollar liabilities for its supply of additional reserves would inevitably bump against a ceiling and would over time lead to a shortage of international liquidity; the more extreme school even predicted an international "liquidity collapse".

This dual fear of built-in deflation has been belied by actual developments. They have demonstrated that first, the mechanism of adjustment to payments imbalances has not resulted in a deflationary but in an inflationary bias of the system, and second, instead of experiencing a "liquidity shortage" we have been exposed to a colossal liquidity explosion.

interesting story

Prof. (Lord) Robbins, one of the participants at the Bretton Woods Conference of 1944, has recently narrated the story how the well-known British Treasury expert R. G. Hawtrey had sent a note to the British delegation at Bretton Woods which said in essence "What's all this talk about deflation after the War? The problem is not going to be deflation; it's going to be inflation". His lonely foresight was not taken seriously at Bretton Woods and no adequate defences against inflation were built into the system.

Now the question is: Was the international monetary system just defenceless against overpowering forces of inflation emanating from the major countries? Or has the system itself contributed to, or re-inforced the inflationary tendencies by its own institutions?

Let us first take a glance at the phenomenon of world-wide inflation. The evolution over recent years points strongly to some common cause or causes of world inflation. Indeed, what is particularly striking and ominous in the world economy of today is not only the progressive strengthening but in particular the universal character of inflationary forces in the industrial countries. Among the OECD countries the average weighted price increase—measured in terms of consumer prices—was 2.4 per cent per annum in the second half of the fifties, 2.6 per cent per annum in the first half of the sixties, 4.2 per cent per annum in the second half, 5.3 per cent p.a. in the three years 1970 to 1972, and is estimated for 1973 to be 6 per cent (and in the OECD countries outside the US even between 7 and 9 per cent). Nearly all industrial countries, apart from the United States, seem to be marching at present "in step" at a rate of inflation of 7 per cent or more.

world-wide inflation

Economists have various explanations at hand for the almost universal character of inflation. According to some, there has been a simultaneous change in the socio-economic environment in most industrial countries which has nearly everywhere led to excessive claims on the economy, be it from overambitious government (and government-subsidized) spending or excessive wage settlements. or in most cases from both. This has resulted in many countries in an irrepressible combination of demand and cost-push inflation together with a dangerous escalation of inflationary expectations. There can be no doubt that the universal propagation of price inflation has been facilitated by the transmission mechanism of fixed parities. But this contribution, in the view of these observers, has not been a primary but only a supplementary source of world-wide inflation. Such an explanation raises several questions: Where is the place of monetary policy in this whole argument? Why has monetary policy become so permissive universally? And what has happened to the balance-of-payments discipline of fixed parities? Were not fixed parities supposed to put a brake—perhaps the only effective, because exogenous broke—on spendthrift governments and excessive wage settlements?[2]

Other observers emphasize the monetary side and argue: As we have inflation on a world-wide scale, we must have had excessive money creation on a international scale. So we should perhaps look toward the excessive expansion of international liquidity as the really "universal" scapegoat for the loosening of the monetary reins. But how can we explain the fact that the dangerous acceleration of world-wide price inflation began in the second half of the sixties, at a time when the creation of international reserves was still very modest—more modest, indeed, than in the first half of the sixties?[3] The connection between "international liquidity", in the sense of the supply of world reserves, and domestic money creation and inflation is not so simple and direct, although there can be no doubt that the "liquidity explosion" after 1970 has had something to do with the subsequent further acceleration of price inflation.

US influence

Other experts again explain world wide inflation by simply pointing to demand and price developments in the United States. In their view developments in the largest economy of the western world will decisively influence, at least in a system of fixed parities and unlimited dollar financing, the development of money supply and prices elsewhere. As one authority on international monetary affairs put it: "Inflation in the United States determines the pace of inflation abroad."[4] Or as Milton Friedman used to say: "Under a dollar-based system with fixed exchange rates, the monetary policies of the world will be determined by the monetary policy of the Federal Reserve in Washington." But here again doubts arise when we look more closely at the historical facts, It is true that in the period of Vietnam escalation from 1966 through 1970 the United States economy was leading the inflationary lockstep of the industrial world. But from 1971 to 1973 there followed a period when money creation as well as price and cost inflation have been at significantly lower rates in the United States than in the rest of the industrial world. Why has this recent lower rate of US inflation not had any dampening effect whatsoever on world price inflation, although its retarding effects in terms of other currencies were strongly re-inforced by the devaluation of the dollar?[5] And looking over a longer period, in the twenty years from 1953 to 1973 US pri-

ces increased less than those of all other major industrial countries, even apart from changes in relative currency values. Why has this not acted as a brake on inflation elsewhere? And have not other countries complained again and again that they were importing inflation from the United States even in periods when inflation there was much lower than elsewhere?

It appears that none of these monocausal explanations is fully convincing, although each of them points to one probable ingredient of the complicated process of world inflation.

intrinsic deficiencies

What we are interested in here is what contribution the international monotary system has made to this process. Has the fault been with deficient national policies in major countries whose inflationary effects were then propogated throughout the world by the transmission mechanism of fixed parities? Or have there been intrinsic deficiencies in our system? At the IMF meeting in Vienna in 1961, the Governor of the Dutch Central Bank, Holtrop, declared: "In my opinion our present problems are not due to any inherent deficiency in our institutional setup. Therefore, we cannot hope to solve them by changes in our institutions, but only by changes in our policies." No doubt: had all the major countries pursued perfect policies and fully lived up to the rules of the game, the system—or for that matter any system—would probably have worked well. But the real question is: how did the international monetary system, as it evolved from the Bretton Woods Agreement, face up to the realities of the post-war era, including those arising from big structural changes in the world economy? And in particular: has it been a positive or negative factor in the fight against inflation?

My answer to these questions is: The international monetary system has not only yielded in too permissive a way to inflationary forces which emanated from domestic inflation in important countries, but has also been generating inflation on its own. Let me briefly enumerate the main developments that have contributed to this result.

The transmission mechanism of fixed parities has worked more and more as a one-way street only, namely in the direction of inflation. The much-vaunted discipline of the balance of payments did not work. This has been due mainly to the increasing resistance—or sheer inability—on the part of deficit countries to adjust to external deficits by domestic stabilisation, let alone even the mildest form of deflation. The most important, but by no means the only example of this asymmetric adjustment process has been the deficit of the United States which as the reserve centre of the system had practically unlimited external financing available until the system broke down. Thus, while academic economists were still theorizing about the presumed "deflationary bias" of the adjustment process, in actual practice its bias was in the opposite direction.

The mechanisc of rigid parities transmitted not only inflation from one country to another, but converted even non-inflationary structural deficits, like that of the United States during part of the post-war period, into a source of inflation for the rest of the world. Most industrial countries defended their own parity by intervention against the US dollar, as the dollar had become the intervention and reserve currency of the world. Thus in the name of supporting the fixed parities system they allowed a large structural imbalance to build up in the world economy, with the further consequences of imported inflation and excessive liquidity creation.

volatile capital flows

Over the last years, volatile capital flows have assumed dimensions never dreamt of before. In a system of fixed, but no longer trusted parities they have magnified the pressure of imported inflation in the recipient countries, and they have undercut anti-inflationary policies in some countries which formerly played a crucial disciplinary role as "islands of stability".

There has been an inherent tendency in the system to create too much international liquidity in the form of the excessive accumulation of currency reserves. The main source of this excess liquidity was, of course, the protracted payments deficit of the United States, the reserve centre of the system. But there have also been other sources of uncontrolled liquidity creation, such as a trend towards "diversification" of exchange reserves into currencies other than the dollar as well as money creation in the Euromoney market.

This combination of trends and forces in the world monetary system namely a one-sided process of balance-of-payments adjustment, a rigid parity system based on a srtucturally weakening dollar, destabilising capital flows, and uncontrolled expansion of international liquidity, has proved to be about the most inflationary mixture imaginable. It has helped to pervert fixed parities from being an instrument of discipline on deficit countries to one forcing monetary debauchery on surplus countries.

I think it is worthwhile analysing some of these processes a little further so as to be able to draw lessons for the future.

degeneration of fixed parities

A system of fixed parities can only work without too much inflation if there is a certain balance in the adjustment process. Of course, nobody would dare to expect from a deficit country even the mildest form of deflation. But a deficit country should at least contribute to adjustment by eliminating domestic inflation. During the last ten to fifteen years, there has been no major international disequilibrium where a deficit country achieved real stability of costs and prices over any length of time—with the exception of the United States from 1960 to 1965.

Already in 1964 the IMF deflated the fable of the disproportionate burden of adjusment on deficit countries and the consequent deflationary bias of the world monetary system. It said in its Annual Report of that year (Annual Report for 1964, page 28): "In modern societies, actual reductions in wage and salary levels are regarded as acceptable only in the most unusual conditions.... On the other hand, few countries can completed resist cost and price increases when the underlying pressures for upward adjustment are strong. The result is that international adjustment through changes in relative costs and prices typically involves more upward adjustment in surplus countries than downward adjustment in deficit countries." The Fund commented this inflationray asymmetry of the adjustment process with approval (IMF Annual Report for 1964, page 4: "The international monetary system has been able to meet the challenges to which it has been exposed.")

This asymmetric adjustment process was strongly supported by permissiveness in the financing of balance-of-payments deficits. The British case during the six-

ties is a good case in point. During the years 1964 through 1968, the United Kingdom received no less than 8 billion dollars worth of short and medium-term currency loans from abroad to finance its deficits, that is to say, nearly three times the amount of its own official reserves at the beginning of the deficit period. For the group of industrial countries that provided this financing either directly or through the IMF (and GAB), this meant corresponding money creation through their central banks. For some countries their share in this inflationary financing of the 8 billion dollars currency loans repesented a significant amount in terms of their own monetary base. A few years later such amounts were, of course, completely dwarfed by the inflationary central bank financing of huge US deficits unlimtied support of a fixed dollar parity by the other industrial countries.

machinery of inflation

It was indeed the exacerbation of the dollar problem that finally perverted the regime of fixed parities and turned it into a machinery of inflation. The dollar problem involved much more than merely transmitting US domestic inflation to other industrial countries via the turntable of fixed exchange rates. True, from 1965 to 1970 this process also played its part. During that period the US rate of price and cost inflation was higher than in the other OECD countries and this contributed to the deterioration of the competitive position of the US in the world as well as to world inflation. But taking the last twenty years together, i.e. from 1953 to 1973, the United States could boast the lowest rate of price inflation—whether measured in terms of consumer or GNP prices—of all the major industrial countries. There was a memorable episode at the Tokyo meeting of the IMF in 1964. When some European finance ministers complained about the inflation their countries were importing from the US the then US Secretary of the Treasury (Douglas Dillon) retorted: "There is certainly no inflation in the United States so we have no inflation to export."

But the US was in fact exporting inflation even at that time; not as a result of any domestic price inflation, but through external deficits which were mainly due to two structural trends: an enormous "structural" upswing in its capital exports and a structural deterioration in its trade position (which in 1964 was not yet clearly discernible, but came to the surface near the end of the sixties). Europe and Japan had rebuilt their economies and were beginning to catch up with US industrial productivity. They had also begun to discover, and develop, the huge American market for their products. These developments contributed to a gradual relative over-valuation of the dollar in relation to some other currencies. Secondly, American corporations at the end of the fifties began to discover the vast investment opportunities abroad; prompted by lower wage costs abroad and assisted by abundant and relatively cheap financing facilities, they began to buy up companies or set up foreign subsidiaries in a grand style. In this way part of the US export base was exported abroad, which helped to accelerate the structural deterioration of US trade. The high capital exports which by far surpassed the US net exports of goods and services (i.e. of "real" capital), were an important vehicle for inducing inflation in the recipient countries. These structural factors, and a reverse structural factor in the foreign trade of Japan, were more important than the much-discussed "inflation differentials" in causing the protracted payments disequilibrium of the United States and the consequent imported inflation in Europe and Japan.

simple problem

In essence, it was a simple problem. At the beginning of the 1950s the per capita income in the United States was about three times the per capita income in Europe and even higher in relation to Japan (at the then existing rates of exchange). With the catching-up of European and Japanese industries such a large discrepancy in relative income levels could not be maintained. This put the regime of fixed parities between the dollar and the relevant other currencies under a great strain. Even with complete cost and price stability in the United States, if Europe and Japan wanted to maintain their fixed dollar parities, they would have had to accept an inflationary upward adjustment in their income and price levels. This catching-up process of income levels was made even more difficult when nominal incomes and costs in the United States began to move up rapidly in the second half of the sixties. Even between the US and Germany—which had its currency upvalued relative to the dollar between 1961 and 1973 through its own or through American action, by no less than 49 per cent!—this process of adjusting relative wage and income levels took a long time. In 1960, the average income per capita in Germany was still only 44 per cent of that in America. In 1970 the relationship had risen to 61 per cent. In 1973 it has reached about 85 per cent (calculated at current rates of exchange); this seems now to correspond to the relative levels of national productivity. The structural adjustment between the major economies and currencies of the world to the new realities of the seventies—a "normalisation" process after the previous period of absolute predominance of American industrial power—has has a once-for-all process of historic dimensions. It strained the system of fixed parities beyond breaking point.

surplus syndrome

These structural considerations seem to me to give a better clue to the underlying problems of the post-war adjustment process than the wide-spread American view that European countries and Japan deliberately pursued "mercantilist" policies directed at generating persistent surpluses. Some American critics have persuaded themselves that the Europeans and Japanese have been suffering from a deep-seated "surplus syndrome". It is true that the structural process of normalization would have required either even more inflation in Europe or a near-continuous process of upvaluation of some European currencies on the one hand, or devaluation of the dollar on the other. In view of the difficulties as well as the uniqueness of such a structural adjustment process, it is not surprising that each partner to this process usually attaches most blame to the partners on the opposite side.

The overvaluation of the dollar which came about in the process of post-war normalization is sometimes ascribed to an innate "devaluation bias" of the previous dollar-centred system. Indeed, up to 1971 many dozens of currencies were devalued, but only a few were upvalued vis-a-vis the dollar. This fact, however, is not in itself proof of an overvaluation of the dollar, as most of the devaluations resulted from high domestic inflation in the respective countries. It is a different thing that the system may have suffered from an "anti-upvaluation bias", that is to say that a

number of industrial countries resisted for too long the inevitable realignment of their currencies in relation to the dollar (or, that for too long it was considered that the dollar could not be devalued).

It was fatal for the system that the currency which had to undergo this structural adjustment in relation to other important currencies, namely the dollar, happened to be the main reserve and intervention currency of the world. In deference to, and in defence of the system of fixed parities the other countries supported the parity of the US dollar by accumulating enormous amounts of dollars. Thus the structural imbalance was prolonged, a large "overhang" of liquid dollars was created in foreign hands and the economic climate in the world became increasingly inflationary. Finally, the impact of this situation on confidence in the leading currency has temporarily made the whole international currency system hostage to disruptive speculative movements of funds and large-scale distortions of the terms of payments in foreign trade, movements which not only have transmitted inflation from one country to the other, but which in a fixed parity system were outright sources of new inflation in the recipient countries.

rigid application

However, the gradual shift of fixed parities from being a stabilising to being a destabilising force has not been limited to the effects of a weakening dollar. It has been a more general process in which some features of the monetary system have played their part. These were on the one hand the overly rigid application of the parity system, and on the other hand the permissive reserve and financing system aided and abetted by Eurocurrency markets and other subsidiary liquidity systems.

As a consequence of these combined factors all the major payments disequilibria of the last twenty years—whether they were due to inflationary internal policies or to changes in the structural position of deficit countries—were in the end resolved through a further turn in the inflationary spiral in the world economy (or in extreme cases by altering exchange values), and not in one single case by real deflation of prices or incomes in the deficit countries. Thus we have here a close parallel to what has evolved in domestic economic policies; here, too, there is a growing tendency to resolve economic or social conflicts of all kinds by papering them over with inflationary settlements. Inflation as a general instrument for "pacification", for resolving conflicts in the domestic as well as in the international field!

Let me quote a few historic instances which illustrate the decline and fall of fixed parities as a disciplinary force.

benign neglect

In 1969, the famous doctrine of "benign neglect" appeared on the American scene. Although never officially adopted by the American authorities, it reflected fairly well the prevailing American attitude that domestic monetary and fiscal policies should not be constrained to any significant extent by the requirements of external balance and the maintenance of a fixed dollar parity. This doctrine was dropped in August 1971 with the adoption of a policy to rehabilitate the external strength of the dollar, not, however, in favour of adjusting internal demand management to balance-of-payments requirements, but in favour of casting the dollar parity adrift.

In the spring of 1972, the British Chancellor of the Exchequer made the following statement in the House of Commons: "I am sure that all members will agree that the lesson of the international balance-of-payments upsets of the last few years is that it is neither necessary nor desirable to distort domestic economies to an unacceptable extent in order to maintain unrealistic exchange rates, whether they are too high or too low." The view as to what constitutes an "unacceptable extent" has changed greatly over the last ten years. And British experience in the summer of 1972 showed that whether an exchange rate should be considered "unrealistic" or defensible was in the last instance not decided by the authorities but by market forces. At any event, this statement represents a further decisive step away from accepting fixed parities as a disciplinary force.

The concluding word on this issue should be left to Prof. Arthur Burns, the Chairman of the Federal Reserve Board. In an important statement at an International Bankers' Conference in Montreal in May 1972, he gave the principle of autonomy with regard to external constraints the following general formulation: "The international monetary system will have to respect the need for substantial autonomy of domestic economic policies...No country... should have to accept sizeable increases in unemployment in order to reduce its deficits. Nor should a surplus country have... (to accept) high rates of inflation. This is of course only a description of the existing realities—but it illustrates well the downgrading of fixed parities on the scale of priorities, as compared with domestic policy goals.

As a reflection of this shift, "balance-of-payments discipline" has nowadays assumed a different meaning from what it meant fifteen or twenty years ago. The American proposals for reform of the balance-of-payments adjustment process (reserve movements as "objective indicators for adjustment") aim at securing a more timely and more symmetrical balance-of-payments adjustment. This sought-after new symmetry does not exclude adjustment measures in the domestic field, such, as monetary or fiscal action, but it is aimed particularly at establishing a rule for the timely adjustment of exchange rates to whatever external situation has been created by domestic policies. This "discipline of exchange-rate adjustment" is a far cry from the discipline of internal adjustment under the classical gold standard and the original system of fixed parities.[6]

abnormal capital movement

The world payments situation over the last few years has to a large extent been dominated by abnormal capital movements. Let us take some outstanding examples. In the United States, official reserve transactions from the beginning of 1970 through March 1973 resulted in a total deficit of about 62 billion dollars.[7] Of this total, about 25 billion was due to the basic deficit (current and long-term capital account) and the remaining far greater part to short term capital flows and unrecorded movements.[8] Or take the example of West Germany: during the same period from 1970 through March 1973, total foreign exchange inflows into Germany amounted to 78 billion DMark, of which only between 5 and 10 billion DMark, or about one tenth, can be accounted for by a surplus on current account while nearly all the rest can be qualified as abnormal capital imports.[9] In the fi

crisis weeks from the end of January to the first of March 1973, nearly 10 billion dollars, or three times the estimated deficit on basic account of the first quarter 1973, were moved out of the United States into other countries, while the main recipient countries had to take in an estimated 12 billion dollars—the difference being accounted for by reserve creation via diversification of exchange reserves and redepositing funds in the Eurocurrency markets. About two thirds of the total went into the DMark. A third example is the sterling crisis in the summer of 1972: the current account of the United Kingdom in 1972 was still in slight surplus, while big speculative capital outflows forced the pound off its fixed parity. In all these cases, if exchange-rate measures, including floating, had not been resorted to, the disruptive capital flows would have been far larger still.

big leverage

Several conclusions can be drawn from these experiences: First, even a moderate deterioration in the current or basic balance of payments of a major country can have a big leverage because it can set very large capital flows in motion. Second, capital movements sometimes anticipate an expected future deterioration in a massive way and may thus force the hands of the authorities (as was shown in both the British and the Italian case).

Disruptive capital flows have become a major factor—the "villain of the piece"—on the international monetary scene. It is obvious that they can have an enormous inflationary impact on the whole world monetary system. The losing country will hardly ever allow these outflows to have a significant contractive influence. In the recipient country the central bank has to finance them by creating additional central bank money. Thus banking funds of the deficit country which are easily replaceable are converted into high-powered money in the recipient country. The primary effect of such inflows on the domestic money system of the recipient country should be measured not by their relation to the total domestic money supply but to the domestic "monetary base". For several recipient countries the inflows meant the complete loss of control over their money supply.

In West Germany, monetary policy was paralysed by such inflows—or the permanent threat of them—practically from the autumn of 1968 through March 1973, with the exception of a few months after the upvaluation of October 1969 and a few months of DMark floating in 1971. The inflows in the three years from spring 1970 to spring 1973 had a tremendous impact on the "monetary base" of the country, despite all efforts at sterlising them; and they more than accounted for the total increase in the domestic money supply during this period. In Swtizerland, the inflow of a few billion dollars in the summer of 1971 sufficed to paralyse monetary policy for nearly two years. Thus two key countries were put out of action in their fight against inflation and could no longer play their former role as "islands of stability" in, and stabilisers of the European economy. The OECD has repeatedly pointed out in its reports that the disappearance of such "islands of stability" with their disciplinary effect on their partner countries was an important factor in the general acceleration of inflation in Europe since the end of the sixties. For the countries directly concerned, the undermining of their fight against inflation through the constant threat of destabilising inflows had serious economic and social consequences.

imported inflation

Thus we have witnessed in recent years two different kinds of imported inflation under the regime of fixed parities. One was connected with genuine disequilibria in the basic balance of payments. particularly in the current account The other was caused by abnormal movements of funds. Of course the latter were often—but not always—only a consequence of basic disequilibria. It must be admitted that in such cases speculative movements sometimes had the merit of forcing the right measures of adjustment upon reluctant authorities. But the cost of such reluctant and delayed adjustment was sometimes high.

And the general and very depressing-conclusion is: All disequilibrating capital flows among major countries have a tendency of raise the level of inflation in the world.

What has blown up disruptive capital flows into such a monster is the combination of two factors: first, the enormous increase in the volume of liquid shiftable funds everywhere, with the possibility of rapid shifts from one currency to anothe. through modern communication systems, internationalised banking, and multinational corporations; second, the failing confidence in the existing par values of important currencies. The fact that in the recent past the lack of confidence focussed so much on the key currency of the system, and that at the same time there have been so many volatile dollar funds around in the world, produced that torrent of inflationary money flows which finally brought the system of par values down.

relevant questions

I think it has become clear from our recent experiences that we will not see a stable international system in future if we do not succeed in gaining a much better control over such disruptive and inflation-generating capital flows. This raises a host of questions. I will touch only briefly on some of them.

Can we hope to eliminate the root causes of such destabilising flows of funds?

This would first of all require that in the future system important currencies would no longer be likely to come under a cloud of mistrust. A vastly improved adjustment process would have to guarantee that corrective action would be taken before markets even begin to have doubts about the par value of an important currency. Sanguine people may say that such an improved adjustment process is, after all, what most of the reform is about. But without wanting to appear too pessimistic, I may be permitted a skeptical question: Will "warning points" for corrective action—that will of course become known to the public—or a cumbersome surveillance procedure in a large committee be the appropriate means to prevent any mistrust in par values from arising and to set the markets, i.e. the international trading and financial community, at rest?

To eliminate the root causes would also require a much better harmonisation of monetary policies so as to avoid large interest-rate differentials. This is highly desirable but exceedingly difficult to achieve in practice, as no major country at present seems willing to let its monetary policy abdicate its role in domestic demand management. [10]

Can at least the vast supply of volatile liquid funds—the potential ammunition for speculative or interest-rate induced flows from one currency to another—be somehow reduced or brought under control?

Politicians usually inveigh against

foot-loose Eurodollars and the speculators behind them, who they believe have wilfully overrun our currencies and brought down the fixed parities system. There are proposals to deflate the Eurocurrency markets by reserve requirements, open market policies, or the withdrawal of central bank placements from the market. Some believe in the drying up of excess liquidity through consolidation of the dollar overhang in official reserves. Others again believe the shift of currency reserves out of the dollar into other currencies—the so-called "diversification" of currency reserves—should be subject to strict rules. Without going into details, let me just say this: (a) Consolidation of the "overhang" of excess currency reserves, if it is on a purely voluntary basis (as is likely) will not remove those excess funds of central banks that really are volatile and dangerous, nor will it affect non-official dollar holdings at all. (b) Control of the Eurocurrency markets is a long way off, in view of the present differences of opinion among the relevant countries. (c) A more practicable possibility might be to achieve voluntary agreement among the central banks on their placement of reserves in Eurocurrencies or in secondary reserve currencies, and agreed rules on shifts from one currency to another. This might take 20 billion dollars or more out of the potential supply of volatile funds. But I want to stress that such agreements can probably be attained only on a voluntary basis.

Should we envisage defensive control measures against disturbing inflows not only as short-term protection in the interim period but—at least on a standby basis —also in the future system?

This raises fundamental questions of economic philosophy as well as questions of practicability and effectiveness.

I presume everybody would agree that in a market economy freedom of capital movements is a high value in itself and should be respected wherever it does not conflict with more important goals.

There may, however, be situations where the defence of monetary stability is more important than complete freedom of destabilising capital movements—it is a question of choosing the lesser of the two evils. Furthermore, nobody would probably deny that it is the duty of a central bank to control the money supply. Is it not slightly illogical if at a time of necessary restraint banks or the business community were to be allowed under all circumstances to gain free access to central bank money through the back door, i.e. by freely borrowing liquidity in international money markets (which may be distorted by all sort of foreign action) and converting the proceeds into high-powered money at home?

not a carte blanche

But these considerations are not meant to justify a carte blanche for capital controls. In particular, I would strongly object to capital controls for protectionist purposes or for the purpose of maintaining an incorrect rate of exchange. I believe that some of the controversy over the principle of capital cotrols stems from the fact that the defenders of absolute freedom do not sufficiently distinguish between capital controls which in open or covert form pursue protectionist goals, and those controls which are purely a defence against disruptive inflows of liquidity from abroad, and which are in fact nothing but a logical extension of, or supplement to the indispensible regulation of domestic money supply. Ths role of defensive capital controls will, however, often be severely restrained by their limited effectiveness. It is on the whole possible, according to our experience, to distinguish between "normal" capital movements and irregular and disruptive money flows. But in times of currency unrest and speculation it is very difficult to prevent speculative or interest-rate induced money from coming in through the back door—or rather: through quite a number of back doors.

Thus, as long as currency speculation is not definitely laid to rest, there will always be situations where inflationary money inflows can only be stopped or limited by greater exchange rate flexibility.

Assuming that in a parity system disequilibrating capital flows cannot be prevented or significantly reduced: *can—and should—they be financed through special credit facilities or "recycled" from the recipient country to the country of origin*?

I have indicated my view on this question already at the beginning of this paper: recycling short-term money flows to the country of origin does not nullify the inflationary effects which have come about with the conversion of the incoming foreign exchange in the recipient country; nor does it undo the expansionary effect on international liquidity. On the other hand, recycling or other semi-automatic financial facilities for offsetting short-term capital flows would recreate ad infinitum the faculty of the deficit country to allow the inflationary capital outflows to continue. Thus they would result in real inflationary "perpetual motion" ("perpetuum mobile").

Let us not forget that the former dollar standard implied such a continuous recycling of incoming dollars back to the United States. It broke down because of the inflationary implications of this process. It would be strange to revive, and even extend to other currencies, this faulty, inflationary system.

If we were condemned to accept large disequilibrating flows as a price for the inevitable internationalisation of our money system—are there effective possibilities for neutralizing their inflationary effects ?

Here I can offer you first-hand experience, as West Germany is the country which has been affected more than any other by destabilising money inflows. Our experience has been the following: inflationary money inflows from abroad can be successfully sterilized in so far as they are directly deposited with the domestic banking system. However, the more effective the central bank is in this respect, the more it is likely that a large part of the inflow will be channelled through non-bank sector, e.g. through changes in the leads and lags of commercial payments, through multinational corporations (foreign and domestic), and through all kinds of other borrowing operations. We have seen that of the 8 billion dollar inflow of last February and March over half came in via the non-bank sector, and that most of what was originally foreign deposits with German banks has in the meantime been shifted to the non-bank sector. It is very difficult and, at best a time-consuming process to reduce the inflationary effects on the non-bank sector. Our experience has been that in no case has it been possible to undo the inflationary effects of foreign inflows entirely, not even by the strongest compensatory measures.

Let me draw from this survey of the complex field of destabilising capital flows the following conclusions:

It is unlikely that we will meet with quick success in sloving any of the complicated problems connected with destabilising capital flows. There is no panacea in sight. We will have to content ourselves with slow, patient progress on as many fronts as possible.

We will have to find out by trial and error what combination of monetary

policy coordination, more elastic exchange rates, and defensive capital controls will yield the best results—and do the least damage—in taming destabilising capital flows.

It is likely that we will have to go on living in the future as well with the "monster" of the Eurocurrency market where at present over one hundred billion dollars of more or less liquid funds are traded, of which an estimated 75 billion are denominated in US dollars, and a sizeable amount also in DMarks.

decisive precondition

The decisive precondition for a more stable system also in the field of capital movements will be the rehabilitation of the dollar. As long as the dollar is under a cloud, the potential for disturbing flows will be very great. A flight from the dollar can mobilise incomparably more volatile funds than is the case with any other currency. There are at present about 90 billion dollars in the hands of foreign official authorities (of which about 25 billion dollars are in central banks outside the Group of Ten) and a few dozen billion more in non-official foreign hands. And there is, of course, an additional potential for destabilising flows of untold billions of liquid dollar funds in the hands of Americans themselves.

Of the other currencies, only pound sterling and DMarks are in foreign hands in large amounts. That does not mean that there cannot be large disequilibrating outflows also out of other currencies—there was one equivalent to over 4 billion dollars from Italy in 1972—but on the whole such outflows from other countries appear manageable from the point of view of the world payments system.

I can only stress again my view that there will probably be no definite solution to the devilish problem of destablising capital flows as long as the dollar is not securely re established. In the meantime, it is difficult to see how we can dispense with a more elastic exchange rate system in order to hold such flows in check.

International liquidity— the supply of world reserves—has increased explosively since 1970. Countries' reserves in the form of gold, Special Drawing Rights, reserve positions in the Fund, and foreign exchange reserves were equivalent to 78 billion dollars at the beginning of 1970, and 176 billion dollars in March 1973. The dynamic element was foreign exchange reserves. They more than trebled during this period from 32 to approximately 115 billion dollars. In comparison, the allocation of 9 billion SDR units over this three-year period appears small.

It is true that a considerable part of this increase in reserves has been concentrated in a few countries, such as Japan, Germany, Switzerland, the Benelux countries, France, Australia, and the oil countries. But most countries have been affected to some extent by the outpouring of dollars. The developing countries as a group, even excluding the oil-producing countries, have experienced a much larger expansion of their reserve holdings since 1970 than had been assumed when it was decided to create SDRs for the period 1970-1972.

The major source of the tremendous increase in foreign exchange reserves was, of course, the payments deficit of the United States. Of the total increase of over 80 billion dollars, this deficit accounted for 56 billion. The remaining reserve creation came from other sources, in particular reserve creation in the Eurocurrency market and the diversification of currency reserves. It is estimated that central banks of countries outside the Group of Ten hold the equivalent of at least 20 billion dollars in the Eurocurrency markets (not all in dollars, but a growing share in other reserve currencies).

inflationary reserves

Central banks that invest their dollar reserves in the Eurodollar market are in all likelihood participating in a process of inflationary reserve creation—although they are not directly aware of it. The same is true whenever a central bank moves part of its reserves out of the dollar into other, so called "secondary" reserve currencies. As a rule, the secondary reserve currency will have to take the dollars into its own reserves so that the total amount of dollar reserves in the world is not changed, while reserves held in the new reserve currency are increased. This process of reserve diversification is apt to increase both international and domestic liquidity in an inflationary way.

So here we have central banks participating in this game of multiple reserve creation, at a time when many of them are complaining about unwanted money inflows and excessive international liquidity! But those that complain are mostly—but not always—other central banks than those that go after the higher interest rates obtainable in the Eurodollar market or the supposed greater security of other reserve currencies.

Is the reserve creation in the form of reserve holdings in national currencies an "immanent" and inevitable feature of the present system? Nothing was laid down in the Articles of the Bretton Woods Agreement about the reserve system and the way in which reserves can or should be held. Nothing has been laid down or agreed upon on the Eurocurrency market, apart from the agreement among the central banks of the Group of Ten to limit their reserve holdings in this market. Thus, these developments in the field of reserve creation could be considered an extraneous outgrowth outside the written rules of the system.

But the system does not only consist of the rules laid down in the IMF Agreement. The dollar-based Exchange Reserve Standard--which has grown up over the last 25 years under the force of circumstances and central bank practices—has just as much been part of the international monetary system as the Eurocurrency markets which have been an outgrowth of the last 15 years.

international liquidity

Will these various forces continue to contribute to excessive creation of international liquidity? When the ministers of the Committee of Twenty met last March in Washington they laid down as one of the requirements of the future system that "there should be better international management of global liquidity"

In the past, some people believed that the mere introduction of the internationally managed SDR (Special Drawing Rights) system would be sufficient to gain better control over international liquidity. This proved, however, to be an illusion. The explosive expansion of international liquidity over the last three years shows that the uncurbed use of reserve currencies for reserve accumulation can play havoc with the whole system.

Everybody seems now to agree that there should be better control over this part of international liquidity, too. Everybody has subscribed to the proposal that "the role of reserve currencies should be reduced" (Ministerial Communique of the Committee of Twenty). But it is a long road between agreeing on such a principle and implementing it in practice. This is sure to be one of the most difficult issues pertaining to the incipient reform of the international monetary system.

What help can we expect from the reform of the international monetary system in the fight against world inflation?

I have tried to show that in the world in which we live any major disequilibrium in the basic payments balances, any large

disequilibrating capital flows, and and sizeable and wide-spread increase in currency reserves are likely to give the world's inflationary spiral another upward turn. So we should strive for a system which promises to avoid such inflation-generating features as much as possible. What are the prospects for achieving this?

central point of reform

A central point of the reform is an improvement in the adjustment process in cases of payments imbalances, including a better-functioning exchange rate mechanism. As the ministers of Committee of Twenty said in their communique of last March, the goal should be "to assure timely and effective balance of payments adjustment by both surplus and deficit countries". In other words: large and persistent accumulations of imbalances should be avoided. This is certainly a step in the right direction and takes account of our recent bad experiences. The debate is, however, still wide open on how best to achieve the desired improvement in the adjustment process.

In practice, the crucial point is likely to be the future exchange rate regime. This, according to the Ministerial Meeting of the Committee of Twenty, should be based" on stable but adjustable par values", and it was also recognised "that floating rates could provide a useful technique in particular situations". These formulae cover a very broad spectrum of exchange rate regimes. The real points at issue will, of course, be: "how stable"? "how adjustable"? and what are "particular situations"? It is likely that the proclaimed readiness to adjust exchange rates quickly, together with the experience of the exchange markets in recent years, will make it nearly impossible for a country to maintain, for any length of time, a parity which the market believes to be unrealistic; or else large destabilising flows of funds will be provoked. Thus the pressure for timely adjustment will be provided mainly by the markets. As concerns the "particular situations" where floating is appropriate, I suppose a consensus will emerge that this is applicable in particular as long, and whenever, the key currency of the system is not firmly established as the stabilising anchor of the system.

Prompt and early adjustment of payments imbalances and a more elastic exchange rate regime would certainly go some way towards reducing both speculative capital flows and a further build-up of excessive currency reserves. But as long as conversion of currency inflows beyond a certain point, e.g. agreed working balances, is not made mandatory a further uncontrolled expansion of international liquidity cannot be excluded. Some agreed limitation on the accumulation of currency reserves is required if one really wants to gain better control over global reserve creation. This is not the occasion for discussing the various proposals on this issue that are on the table. But I would like to emphasize that without some stricter rules in this field, the twin inflationary dangers of too permissive financing of disequilibria and excessive liquidity creation will persist. Better control over global reserves, which after all is an accepted goal of the reform, would also require some agreed norms of conduct on the form in which currency reserves are going to be held, and also on the way in which the reserve-creating power of the Eurocurrency markets can be held in check. I fully recognise that in this field the distance between general principles and practical implementation is particularly great. "Political economy is simple, it's all a matter of execution", Napoleon is reported to have once said. This applies in particular to the control of international liquidity.

principle reserve asset

In this context Special Drawing Rights (SDR) and gold have also to be mentioned. The expressed intention of the international community, as represented by the Committee of Twenty, is that the "SDR should become the principle reserve asset of the reformed system". Let me repeat again that this presupposes gaining first better control over reserves in the form of currency holdings. After all, the concept of SDRs was developed on the assumption that the supply of other international reserves would be in chronic short supply. It will be difficult to find a rational basis for the creation of SDRs as long as there is such uncertainty about reserve creation in other forms. In 1969, when the decision on SDR creation for the three-year period 1970 to 1972 was taken, the official assumption in the IMF was that foreign exchange reserves would increase during that period by about 0.5 to 1 billion dollars a year. In fact, the increase reached an annual average of no less than 22 1/2 billion dollars! Finally, I do not think I need to stress that once the Special Drawing Rights come into their own as the principal reserve asset, it will be particularly important that decisions on SDR creation will strictly conform to the principle of global reserve need, and that this need will primarily be measured against the criterion of whether the world economy is suffering from deflation or inflation.

the snake scheme

As concerns gold, I should like to mention only two things. First, the recent extreme instability of the free market price of gold makes it even less likely than before that the "unfreezing" of gold reserves will be brought about through an increase in the official price of gold—as a measure of value (numeraire) gold has so to speak catapulted itself out of the system. Gold will, however, continue to remain an important part of the central banks' reserves. It is true that at present they are to some extent "frozen" owing to the discrepancy between the official and the free gold price. It would, however, be incorrect to discontinue counting them as reserves until they are "unfrozen". For in case of need a central bank can always obtain a balance-of-payments credit on gold as collateral, at least up to the present official price. This is being demonstrated by the fact that gold can be used in a similar way for settlements in the intra-European payments scheme (the "snake scheme").

There remains the critical field of disequilibrating capital movements. This has been the object of much soul-searching both in the Committee of Twenty and in other international bodies. We know now all the questions involved, but I doubt whether we know much about the really practicable answers. I have touched on most of the relevant problems earlier in this paper. No panacea has as yet been found for dealing with this crucial problem in a future monetary system. So we may have to continue in the pragmatic manner which has evolved under the pressure of crises until world-wide payments equilibrium and restored confidence in all the major currencies have removed the problem from the critical list. In the period of transition to this better world, floating between the major currency blocks may again be the best—or rather: the least bad—answer to the problem.

In this paper, I have set myself the task of elucidating the contribution of the international monetary system to world-wide inflation. Probably to nobody's surprise, the resulting list of sins has proved to be long. But before con

cluding my remarks I have to set the record straight.

It would be an exaggeration to put all, or even the main responsibility for world inflation on the now defunct international monetary system. It has certainly very much facilitated the spreading of inflation from one country to another; it has also facilitated national inflations by its permissive system of balance-of-payments financing. And some of its features, such as autonomous reserve creation and destabilising capital flows, have directly generated inflation by themselves.

home-made inflation

But it is still true that in most cases the larger part of inflation has been "home-made". And it is only fair to add that better domestic stability in all the major countries would have prevented the international system from unfolding all its negative features. I find it important to make this "caveat" because the international monetary system is too often used as a scapegoat or alibi by national governments. In Europe, at least, there is hardly a government today that would not blame a large part of its domestic inflation troubles on the inflationary international environment and the system's mechanism which seemingly make it impossible for a country to achieve stability individually (or to live as on "island of stability in an ocean of inflation"). But that does not, of course, mean that countries could not achieve more stability if they showed collectively, or at least among a group of them, more strength of purpose and more resistance against inflation at home. Moreover, a country could at least partially shield itself off against imported inflation by making appropriate use of the exchange rate mechanism.

My final question is not concerned with the contribution of the international system to inflation, but with the reserve question: what impact is chronic inflation in the major countries likely to have on the international monetary system?

A system of fixed parities is based on the assumption that governments, although they may not be able to avoid inflation entirely, retain at least some control so as to keep it within limits. Of course, there will always be "drop-outs"—but in such a system they should be the exception and not the rule. Should, however, governments have no longer sufficient control over the rate of inflation then it is difficult to see how they will be able, over the medium term, to keep the development of domestic demand, prices and costs in line with that in other countries. In such a system of intractable inflation, a regime of fixed parities will be put under severe strain.

All this makes it likely that the future international monetary system, especially its exchange rate regime, will be less determined by any new written rules than by two other factors, i.e. first, the development of the US balance of payments and the rehabilitation of the dollar, and second, the outcome of the fight against inflation in the major countries.

Both factors point at present in the direction of a continuation of floating between the dollar and the major other industrial countries during an interim period of uncertain duration.

But this is not the end of the story. What will the system look like once the dollar has been restored as a strong currency and the United States has become again, as it was in former times, an anchor of stability for the rest of the world? A system of stable parities, duly reformed, might then be given a new lease of life. And the stable parity system might then serve not as a transmission mechanism for inflation, but instead for stability.

References :

1. After last year's Annual Meeting of the IMF Governors in Washington (September 1972), which concerned itself mainly with world monetary reform, the London "Economist" wrote: "But there was a horrible silence on world inflation." In essence this was true, although the problem was mentioned by a few governors.

2. Even as late as 1971, Prof. Harry Johnson said in a panel discussion on "World Inflation": "The major discipline imposed for the control of inflation in individual countries is the fear of balance-of-payments deficits." He thus reiterated an argument put forward very forcefully by Prof. Jacob Viner twenty years earlier.

3. In the years 1965 throngh 1969 the average annual increase of gold and foreign exchange reserves was only 2.0 per cent, as against 3.6 per cent in the period from 1960 through 1964.

4. Gottfried Haberler and Thomas D. Willett, A Strategy for US Balance of Payments Policy, Washington 1971, p. 20. (Haberler gives some reasons for this American price dominance, i.e. for an asymmetrical relationship between prices in the U S. and in other countries). Similarly Prof. Harry Johnson: "U.S. prices tend to serve as an anchor to everybody else's".

5. From the beginning of 1971 through March 1973, US prices in terms of DMark have fallen by 16 per cent (consumer prices) and 12 per cent (Export unit values, January 1971 to February 1973).

6. Cf. Marina Whitman, Member of US Council of Economic Advisers, in a speech in New York on October 27, 1972: "And, of course, the whole US proposal is predicated on the assumption that no country is going to subordinate its domestic economic goals to balance of payments considerations as Great Britain did, for example, in the mid-1920's and throughout much of the period since World War II. *I think that is a closed issue*."

7. Excluding SDR allocations.

8. Some part of long-term capital outflows, especially in 1971, should also be counted among the "abnormal" capital flows.

9. As Germany was normally a net capital exporter up to 1969, the "abnormal" inflow may even been higher than the *net* cepital import.

10. Some lonely voices have suggested to us in Germany that we should adjust our domestic interest rates to whatever level would be required to fend off unwanted inflows from abroad. At the present time, this would mean going down to somewhere between 3 and 5 per cent (as foreigners seem to be prepared to hold DMarks in the Eurocurrency market at even slightly lower rates). This would be tantamount to a complete capitulation to inflation in Germany. We would drive out the devil of inflationary money inflows by invoking the demon of even greater domestic inflation.



Sudha Shenoy, Academicus, Sam Brittan and me

Jossleyn Hennessy
London

Is SOCIALISM incompatible with a competitive economy?

Will the various moves in the Eastern Bloc countries towards using price changes (caused by variations of supply and demand in the market) as signals that resources are being allocated efficiently or inefficiently, bring about the end of socialism in those countries ?

I am moved to ask these questions by reading on page 924 of *Eastern Economist* of May 4 the review by Academicus of Miss Sudha R. Shenoy's new book *Central Planning in India*, published in India by Wiley Eastern Private Ltd, New Delhi, and in England by the Institute of Economic Affairs (2, Lord North St., London SWIP: 3LB) under the more informative and accurate title *India: Progress or Poverty*.

I take it—although one never can tell in these days when epoch-making changes are reported at least twice a week in the daily press—that socialism can still be defined as "the state ownership of the means of production, distribution and exchange", whereas capitalism exists where these means are privately owned.

By and large Academicus concedes that Miss Shenoy demonstrates (with the aid of a mass of facts and official statistics) that India's planners have failed to achieve their objects, that their concentration on industrialisation, particularly heavy industry, and neglect of agriculture, betrays their fundamental misconception of the essential needs of India's masses, who are not interested in prestige national jet airlines but in ample supplies of water, food of all kinds and the products of the craft industries adapted to life in the mofussil. Miss Shenoy argues that if capital resources were re-allocated away from capital intensive projects and the level of agricultural and rural capital formation raised, the result would be a rapid and substantial increase in output which, in turn, would provide the resources for further capital formation.

Miss Shenoy then observes that it is not possible to draw up in advance an economic blue-print for such a re-allocation of investment. There is no way of mapping in advance an uncharted economic territory.

"We do not know today", says Miss Shenoy, "what a more developed India might look like. If we 'plan' it can only be on the basis of what has been already achieved. Economic development, in other words, may be regarded as a journey into the unknown; it implies an enormous and complex series of circumstantial transformations of which the ultimate outcome cannot be foreseen.

"Economic growth is thus the realisation of unknown possibilities. The empirical knowledge of these production possibilities under changing circumstances is scattered throughout the economy. This knowledge of ever-changing circumstances cannot be centralised, but it can be incorporated in price changes and in alterations in other elements directly influencing production."

To this, Academicus expostulates that Miss Shenoy is advocating the classical 19th century remedy, thus "betraying her complete ignorance of changed socio-political and economic conditions. What seems appropriate at present . . . is a proper combination of some elements of the free market economy and of economic planning. This is what appears to be happening even in western countries."

Now, relying on our readers to challenge me in our correspondence columns if they disagree, I submit that both Miss Shenoy and Academicus err, but that Academicus errs more than Miss Shenoy.

unassailable position

Academicus implies that the creation today of competitive markets would be a 19th century anachronism and that "even in western countries" planning has pushed competitive markets into second place. Turning to Miss Shenoy I find that one hundred and twentyone out of her 122 pages analyse the defects of allocating by planning and expound the benefits of allocation via price mechanism and competitive markets. I believe Miss Shenoy's position in these pages to be unassailable. But on page 122 she says that among the measures needed to create competitive markets would be the abolition of publicly owned enterprises and their sale to public. In other words she thinks state ownership is incompatible with competitive markets. In this she errs.

Now, it so happens that there have just been published in London two important books which demonstrate that a competitive market is an economic tool to promote the most efficient allocation of resources, *irrespective of whether the resources are privately or state owned*. These two books, widely acclaimed in all sections from Right to Left of the serious UK press, are *Capitalism and the Permissive Society* and *Is There an Economic Consensus*? both published by Macmillan

WINDOW ON THE WORLD

(4, Little Essex St., London WC2R: 3LF) and both written by Samuel Brittan, the deeply respected commentator of the *Financial Times*.

His books complement each other. Any economist—whether academic, government or business adviser, any political commentator or member of Parliament—who fails to read them is missing a landmark in the exposition of post-Keynesian economics.

To ascertain the extent to which there exists among economists and other policy-influencing observers from all parts of the politico-economic spectrum any agreed advice on the basic problems of economic prosperity that they would jointly offer to any government whether of the Left or the Right, Mr Brittan issued a questionnaire to which he received replies from 44 leading academic economists, 37 government economists (i.e. those employed as advisers in the Treasury and other government departments), 21 business economists (i.e. those employed to advise business enterprises), 92 Labour MPs, 39 Tory MPs and 24 senior political journalists. His questionnaire consisted of objective multiple choice questions, the "correct" answers to which were based on what is regarded as correct by an important section of the mainstream of economists, whether of the Right or Left, in both the UK and the USA.

The results revealed an overwhelming majority of agreement among economists compared with an extraordinary and depressing diversity and ignorance amongst government and business economists, MPs and political journalists.

typical question

In order to test whether readers of the *Eastern Economist* would do any better, here is a typical question. I suggest that before reading it, you take a sheet of paper to hide from yourself the "correct" answer revealed in the paragraphs following the question and then see to what extent your views coincide with the various types of economists, MPs and journalists questioned. Do not tick the "correct" answer in a hurry. Give yourself at least five minutes for leisurely reflection.

Question I: In order to make the most efficient use of a city's resources how should tube and bus fares vary during the day?

(a) They should be relatively low during the rush hour to reduce costs for the maximum number of people.

(b) They should be relatively low during the rush hour to transport as many people as possible at that time.

(c) They should be relatively high during the rush hour to minimise the amount of equipment needed to transport the daily travellers.

(d) They should be the same at all times to avoid making travellers alter their schedules because of price differences.

If set in an examination paper the "correct" answer expected by the mainstream of British and American economists, which would score 100 per cent, is (c). This was accepted by 91 per cent of the academic economists, while the other nine per cent (i.e. two people) answered neutrally that it was impossible to answer on the data and alternatives given. It is, however, significant that *not one of the academics gave any of the obviously wrong answers.*

shattering results

On the other hand, the answers given by other respondents, who scored 0 marks both from the academics who set the questionnaire and from the academics who replied to it, were given by eight per cent of the government economists, 10 per cent of the business economists, 60 per cent of the Tory MPs, all of whom plumped for the travel-chaos-making (d), 79 per cent of the Labour MPs, 40 per cent of whom plumped for the blindly unrealistic (b) or (a), and 67 per cent of the political journalists who ticked the dumb answer (d). These, as the London *Economist* said, are "shattering results to anybody who spends most of his time writing articles on the convenient assumption that Britain's decision-makers operate on some approximation to a rational thought process."

It is open to anyone to object that the question cited above as typical of the questionnaire embodies a distinct policy outlook, that of liberal economic orthodoxy, but, contrary to the implied belief of our Academicus this orthodoxy is neither on all fours with that which prevailed in the 19th century, nor is it an anachronism in 1973: this is because the history of economics since Adam Smith has been a running debate between the liberal economic orthodoxy *of the day* and its critics, who should be thanked for their all-important achievement: i.e., by consistently pointing out the weakness of liberal economic orthodoxy they have ensured that decade by decade this orthodoxy has become more convincingly and realistically formulated. What is just as significant is that the critics have failed to build up a convincing alternative.

It is noteworthy that most of the non-academic respondents to Question I did not consider the use of relative prices as an instrument of allocation. They thought it "fair" that travellers should pay the same at all times regardless of the fact that to buy a travel ticket at different times of day is to buy one of several different services with different underlying costs. Their attitude implies that they believe that all prices should be as low as possible for as many people as possible, i.e. they believe in using particular prices to bring about certain desired shifts in the distribution of income irrespective of the effects on the allocation of resources.

What the Labour MPs overlooke was that to subsidise public transport is not the only way of bringing the relative prices of private and public transport into line with their relative social costs. One alternative is a congestion tax to make the urban motorist pay the full cost of bringing his car into town. Such a tax would promote competition and would not distort the market.

Mr Brittan points out in *Capitalism and the Permissive Society* that a businessman who sells a product below the market price is not benefiting the poor but misallocating resources and making the community worse off. Moreover in an industrialised society the poor are probably not the majority of those whom he is benefiting. His best course is to sell at the market price and to subscribe out of his profits to selected charities or good works.

correct answers

Reflection over the questions and "correct" answers in *Is There an Economic Consensus* ? reveals that the consensus assumed by the sponsors of the questionnaire is in fact that accepted by the overwhelming majority of the academic respondents, who, do not forget, were of all shades of political opinion.

It emerges that their characteristic belief is that competitive markets and the pursuit by individuals of their own interests can—with definable exceptions—produce an effective and prosperous economic system, and a reasonable harmony between public and private interest. Although such a harmony can be provided by a competitive capitalist system, the key to success is not ownership but freely operating competitive markets, which can also be envisaged in a socialist economy where enterprises are state-owned. Free markets, however, will not

necessarily bring about a desirable distribution of income (although what that is, is a matter of personal judgment). But the way to improve distribution is by direct cash grants and taxes or improvement of opportunities rather than by interfering in the market place.

Such interference can sometimes be justified, but for a totally different purpose. The market works effectively only if enterprises and individuals pay for all the costs that their activities impose on the rest of the community and if a price is charged for all benefits conferred. Where there are costs, such as pollution by automobile exhaust or factory waste products, for which those responsible do not pay, or where benefits are conferred for which it is impracticable to make individual charges, state interference is then necessary. But this interference is best achieved by adjusting relative prices through taxes and subsidies—and on occasion by the state provision of services—rather than by direct controls of prohibitions.

While from the above I hope it is clear that we can agree that freely competitive markets are compatible with either private or state ownership, I must confess that the evidence, particularly that accumulated on India's planning experience by Miss Shenoy, suggests that, difficult as it is for a government to enforce competition between privately owned enterprises (whose managers all yearn for tariff protection, subsidies, and other government *baksheesh*), it is infinitely more difficult to enforce between state owned enterprises (where the prestige of the government, party leaders and bureaucrats is involved with the fortunes of state enterprises). I will elaborate this next week.

Japan as a buyer

Hardev Singh

JAPAN HAS expressed interest in buying more tfrom this country. The union ministry for commerce is identifying the products that can be sold to Japan Tokyo's request, it is stated, has been routed through the Japan External Trade Organization (JETRO). This request from Tokyo is part of a drive launched by the Japanese government to increase her imports.

Years of favourable balance of trade have gathered large dollar reserves in Japan so that the country is in a mood to buy more than it sells. Mr Kiichi Aichi, Japan's minister for Finance, revealed recently that during the first four months of this year, Japan's trade surplus with the US has already averaged around $44 million a month, less than one-third of the 1972 average of $159 million for the same period. In April this year Japan's sales to the US, were around the same as a year ago but imports increased by about 43 per cent. Mr Aichi predicted that Japan's trading account with the US might turn into a deficit in the month of May (trade figures for this month are not available as yet) and stay there for several months.

The Japanese government has evolved a policy to encourage imports through such measures as import decontrol and tariff reduction. Various agencies in the private sector also have been giving wide publicity in respect of the pattern of imports into Japan in order to invite the right kind of products.

Mr Masaya Miyashu, Deputy Director International Economic Affairs Department of Keidanren (Federation of Economic Organizations) Tokyo, has outlined some interesting features about marketing in Japan. Participating in a seminar organised by the Japan Air Lines in Lodon some time back; he pointed out that foreign businessmen find the Japanese management system, particularly the time necessary to arrive at decisions, rather puzzling. It is because Japanese management is often called "management by consensus" as opposed to the western management practices depending on decentralized power of decision. A proposal "circulates in a Japanese company not only on the level of top management but also among members of the middle management."

Mr Miyoshi pointed out that the system of distribution in Japan also has some specific characteristic so that medium and small-scale enterprises make up an overwhelmingly large part of the distribution mechanism. According to data available recently there are more than 1.4 million retail outlets in Japan. Because of delay in modernization, the distribution channels are long and cluttered with many complex ramifications. These complications boil down to a problem of dealing with a large number of retailers through a large number of wholesalers. The problem before the exporters of consumer goods to Japan is, therefore, particularly acute. Gradually, however, Japan's distribution mechanism is undergoing a structural transformation in line with the change in the general economic environment. New forms of retailing such as large-scale chain stores and super markets, have appeared, fostered by factors such as increasing personal income, accelerated urbanization, progress in transportation and a shortage of labour.

Under these circumstances, it is evident that exporters to Japan should proceed through distributors or through Japanese sales offices abroad. Exporting through distributors involves arranging with Japanese trading companies, wholesalers or end-users to provide the product on a contractual basis. Trading companies are responsible for seeing that goods are distributed to wholesalers. Japan's major trading companies have an extensive distribution network for a wide range of goods.

The pattern of Japanese imports is undergoing a major change. Till now imports largely constituted essential raw materials for various industries producing consumer goods to meet the demand of the 105 million people as well as a wide range of goods for the world markets in order to earn foreign exchange.

Durable consumer goods have now become important imports into Japan. According to some studies undertaken, the items that are likely to become popular, provided they can please the consumers by combining attractiveness and distinction with good quality and competitive prices, include ladies' dress, patterns (paper), artificial flowers, ornaments, craft goods, luxury foods, sports equipment, furniture, hand tools, kitchenware, leisure goods, paintings and prints, sophisticated electric appliances, washing machines and refrigerators, carpets and carpet washing machines, ice-making machines, burglar alarm equipment, desk computers, advanced equipment and materials for modern house decoration and luxury toys including various types of games. It may not be such as easy task for exporters to succeed early, because these items are already being manufactured by small and medium scale industries in Japan. However, chances have improved in view of the conscious efforts being made to import in order to correct long-standing imbalance in trade.

TRADE WINDS

Assitance for IDPL

A PROTOCOL between India and the Soviet Union has been signed for further expansion of the Indian Drugs and Pharmaceuticals Limited. The protocol was signed on June 21, on behalf of India by the Chairman of the IDPL, Mr Jagjit Singh and on behalf of the Soviet Union by the deputy minister for Medical Industry, Mr Dvoriakovsky. Mr Jagjit Singh pointed out that the plant at Rishikesh is to expand the production of streptomycine and tetracycline with the necessary aid the Soviet Union has agreed to give. With regard to the plant in Hyderabad, he stated that the company has already placed orders for equipment with Technoexport and delivery schedules have been discussed during the negotiations. IDPL plans to set up another synthetic drugs plant to make some new drugs.

Indo-Czech Co-operation

India and Czechoslovakia are going to intensify co-operation in Industrial fields such as steel, oil, fertilisers and petrochemicals. This was agreed at discussions held in Prague recently between the Czech deputy prime minister, Mr V. Hula, and the visiting union Commerce minister, Mr. D. P. Chattopadhyaya. As regards trade, the two countries have decided to diversify their patterns of sales and purchases, particularly in engineering goods. The need to shift labour-intensive industries to India to maximise economies of production was recognised. The ministers agreed that promising areas for scientific and technical co-operation were fibreglass, natural and artificial fibres, leather research, welding and high-pressure vessel technology. Czechoslovakia offered India the results of its own research in public health, medicine, nutrition and pollution.

IDA

The International Development Association, an affiliate of the World Bank, announced recently that it is joining the Canadian International Development Agency and Hungary to help finance a telecommunications programme in India. IDA pointed out that it has approved a $ 80 million credit for the project, the fifth by the World Bank group in its continuing support for this sector in this country. It brings the total Bank group lending for telecommunications to India to $ 288 million. The project is likely to cost approximately the equivalent of $ 534 million and covers essentially the first two years April 1974 to March 1976 of the Indian Posts and Telegraphs five year development programme. It includes a $ 57 million carry over from the fourth Plan which IDA also helped to finance.

Power for U.P. Steel Furnaces

At a press conference held recently in Delhi, Mr O.P. Tantia, Chairman, Steel Furnaces Association of India, urged the government of UP to restore immediately the power cut imposed on May 15.

At the time of serious power shortage in November 1972, the industry had accepted a 40 per cent power cut and was running only for 20 days in a month.

The steel furnace industry in UP as against 12 units in 1971-72 with a liquid metal capacity of 1.32 lakh tonnes, today has 41 units with a liquid metal capacity of 6.03 lakh tonnes and there will be an addition of another two lakh tonnes by the end of this year.

The chairman, besides immediate restoration of power cut, also suggested prior consultation between power intensive industries and the UPSEB in future whenever there is a power shortage. He also emphasised that this industry should be given a priority status.

Additional DA for Central Employees

The central government employees in the pay ranges below Rs 575 per month are to get additional dearness allowance on a provisional basis from the beginning of May this year. This is in view of the rise in prices in the last few months. The additional dearness allowance will be paid at the following rates:

Pay range	Amount of provisional payment
Below Rs 85	Rs 7
Rs 85 and above but below Rs 210	Rs 8
Rs 210 and above but below Rs 575 (with suitable marginal adjustment)	Rs 10

These provisional payments, which are being made pending a decision on the recommendations of the third pay commission, will be adjusted against the final payment of dearness allowance according to the formula which may be decided with reference to the pay commission's recommendations.

The grant of this provisional dearness allowance, it is estimated, will cost the government Rs 29.9 crores during the current financial year; the cost in a full year would be Rs 35.93 crores.

Assistance From Sweden

India and Sweden signed in Stockholm on June 18 an agreement for development assistance of Rs 27.21 crores (skr 180 million) to be provided by Sweden during 1973-74 and 1975-76. The agreement follows talks held between the two countries at New Delhi last April. Earlier in an agreement concluded in November 1972 Sweden had agreed to provide assistance to the extent of Rs 18.144 crores (skr 120 million) during the year 1974-75. The new agreement provides Swedish aid amounting to Rs 10.584 crores (skr 70 million) during 1975-76 for general imports. This will be in the form of a loan repayable over a period of 50 years with an initial grace period of 10 years. The non-project loan is interest free but carries a nominal service charge of 3/4 of one per cent. The agreement also provides Swedish resources to the extent of Rs 10.584 crores (skr 70 million) to finance imports from Sweden in 1975-76. This assistance will be in the form of a grant. In addition to the assistance for 1975-76, Sweden will give technical assistance to the extent of skr 25 million (Rs 3.78 crores) during the year 1973-74. This amount will be utilised for the implementation of several projects in the field of agriculture, family planning, health, export promotion, research and development, etc. The agreement further provides for resources to the extent of Rs 2.268 crores (skr 15 million) for financing imports from Sweden during 1973-74. It will be recalled that in the Development Co-operation Agreement 1972 between Sweden and India resources to the extent of Rs 11.34 crores (skr 75 million) for general imports from Sweden have already been provided for the current year 1973-74. The provision of Rs 2.268 crores (skr 15 million) for imports from Sweden in the agreement now con-

cluded represents an addition for the year 1973-74.

India Canada Trade

A full-fledged meeting of officials of India and Canada will be held in New Delhi this autumn to finalise a new trade pattern that would help India to substitute aid with trade and enable the two countries to considerably expand their imports and exports. An understanding on this is the major outcome of Mrs Gandhi's two days of intensive talks with Canadian Prime Minister in Ottawa. The latter has recognised India as a potential economic and political power in Asia and has consented to establish trade links with New Delhi on an unprecedented scale to further deepen the traditional ties between the two countries. No formal agreements, economic or on other aspects, were signed, but wide ranging discussions had been held on all important matters of mutual interest.

IDBI Re-organisation

The Industrial Development Bank of India (IDBI) is proposed to be re-structured to enable it to function on a wider plane and more independently of the Reserve Bank of India. IDBI, when reorganised, would become a kind of holding company for all public financial institutions, at the all-India and state levels. IDBI has already been functioning as a co-ordinator in bringing together various financial institutions and the lead banks for project identification surveys and provision of technical and financial assistance on a consortium basis. The proposals now under consideration by the Finance ministry envisage a change in the present intertwining of responsibilities for both the Reserve Bank of India and IDBI vested in the governor of RBI, who is chairman of IDBI. IDBI and RBI have a common board of directors at present. It is proposed to have a different set-up for IDBI providing representation on the enlarged board to various financial institutions. The chairman will not be the governor of RBI. While IDBI will oversee the working of all financial institutions, the government would have the power to issue directions to IDBI in terms of national policies. One of the specific areas on which IDBI would be expected to give greater attention in future is the regional development of industries.

Collection of Direct Taxes

Collection of direct taxes during the first two months of the current financial year has shown an increase of over Rs 7.5 crores against the collection for the corresponding period during 1972-73. Income-tax and Corporation-tax yielded Rs 32.69 crores, Wealth-tax Rs 1.39 crores, Gift-tax Rs Rs 0.50 crores and Estate Duty Rs 1.21 crores during April and May, 1973. Collections for the corresponding period during 1972 were Rs 25.62 crores (Income-tax and Corporation-tax), Rs 1.12 crores (Wealth-tax), Rs 0.51 crores (Gift-tax), and Rs 0.98 crores (Estate Duty).

Relaxation in Yarn Distribution

The government has decided to relax control over distribution of cotton yarn in counts 17 and below and certain other categories. The other descriptions covered by a notification by the Textile Commission recently are folded cotton yarn of two fly in count 17 and below, folded cotton yarn of three ply and higher plies in all counts, blended yarn containing at least 10 per cent of artificial cellulosic or non-cellulosic natural silk or woollen fibre, mixed yarn (where the same bank or cone contains yarn of different counts) and hard waste. The relaxations would not prejudice or affect any firm commitment which may have been made with regard to the above categories and descriptions of yarn in pursuance of the earlier control notification of the Textile Commission of March 23, 1973.

Tax Returns by August 15

Non-availability of the revised forms for returns of income and net wealth tax has compelled the government to extend the time for filing of returns for the current assessment year 1973-74 until August 15. These returns were originally due to be filled by June 30 in the case of income tax and July 31 for net wealth tax. There has been some delay in printing the forms, for the revised forms were brought into force from April 1, this year. Consequently, even tay-payers who have furnished their returns in the old forms have been asked to submit them in the up-dated forms. It is officially stated that though the assessees are normally expected to file their returns by June 30 and July 31 respectively, the delay in furnishing the returns will not result in interest accruing from those dates. The income-tax officers have been instructed to waive the interest chargeable up to August 15, 1973.

Engineering Goods Exports

Inspite of severe power cuts in many parts of the country, engineering goods exports in 1972-73 have touched an all time record of Rs 150.24 crores. The Chairman of the Engineering Export Promotion Council, Mr Raunaq Singh, said in a statement recently that the level achieved last year represented a 19 per cent rate of growth over 1971-72. The value of engineering goods exports in 1971-72 was Rs 126.04 crores. Though an all time record was reached last year, the Rs 150 crores figure is much below the target of Rs 165 crores set for 1972-73. Mr Singh added that 30 products recorded an export of more than one crore rupees last year. Another feature of the perrfomance last year was that out of 63 products or product groups, having export of Rs 10 lakhs or more, only 17 showed a decline as compared with the previous year.

Wagons for Poland

Poland has offered to buy 4,000 railway wagons from India. A delegation comprising senior officials of the Projects and Equipment Corporation and representatives of two wagon manufacturers, Texmaco and Braithwaite, which just returned from a visit to Warsaw, has almost finalised details in this regard. According to informed sources, the deal would, have been signed but for the last minute change in the specification of the wagon sought by the Polish authorities. The revised specifications and price estimates are likely to be completed soon and a formal agreement may be signed during the next two months. The wagons to be supplied to Poland will conform to the latest international standards and will be assembled in that country.

Nairobi Fair

This country will participate in the Agricultural Show in Nairobi (Kenya) from October 2 to 6, 1973. The ministry of Commerce will organise and conduct participation in the show.

Nairobi Agricultural Show is the only important fair in Kenya. Though known as Agricultural Show, it is in fact a trade and industries fair of international standard. The year 1973 being the tenth anniversary of Kenya's Independence, this year's fair assumes special significance. The object of India's participation is to further strengthen her trade relations with Kenya. It will also help focus attention on India's capacity to supply particularly non-traditional engineering products not only to Kenya but to its neighbouring countries also.

Lima Fair

This country will participate in the eighth Pacific International Fair to be held at Lima in Peru. The ministry of Commerce will organise the participation. The Fair is being held from November 14 to 25, 1973. The Pacific Fair, which is a biennial event organised by the Pacific International Trade Fair Authority, enjoys the patronage of the government of Peru. The exhibits displayed at the Pacific Fair will later be diverted to Venezuela for display at the Indian Exhibition being organised at Caracas, in Venezuela in December, 1973—January, 1974.



Fly with your flag.

Remember the joy when you first saw your flag being hoisted. As if your heart would take wing, as if it would flutter in the wind along with the flag.

And remember how proud you were because it gave you a place, a unique place, among other flags, other countries, other peoples.

So also today, your flag flies for everything distinctively yours, distinctively Indian. Air-India is your country's flag-carrier. It carries your country's history, heritage, hospitality.

You'll discover Air-India speaks the same language as you do in the air and on ground. You'll get the sort of food, service, style to which you are accustomed. And you'll find that Air-India understands you like no other airline can.

Next time you fly, remember your country's airline. Air-India knows what it means to be an Indian, what it takes to make an Indian smile.

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COMPANY AFFAIRS

TELCO

THE DIRETORS of Tata Engineering and Locomotive Co Ltd have maintain the equity dividend at 15 per cent for the year ended March 31, 1973. Production of vehicles during the year declined to 21,799 from 25,075 in 1971-72. Gross sales dipped to Rs 156.53 crores from Rs 158.49 crores while net sales were marginally down at Rs 147.36 crores as compared to Rs 147.96 crores in 1971-72. Even so, gross profit, has edged up from Rs 16.43 crores to Rs 16.53 crores. Out of the gross profit the directors have allocated Rs 8.20 crores to depreciation reserve, Rs 1.50 crores to development rebate reserve and Rs 3.60 crores to taxation reserve as against Rs 7.58 crores, Rs 1.22 crores and Rs 3.79 crores provided respectively in 1971-72. This leave a lower net profit of Rs 3.22 crores as compared to Rs 3.84 crores in the previous year. After providing Rs 2 crores—Rs 1.29 crores in 1971-72—for depreciation in respect of previous years and after adding Rs 1.71 crores—Rs 0.79 crores in 1971-72—bring inexcess provisions no longer required, the disposable surplus amounted to Rs 2.94 crores as against Rs 3.34 crores in 1971-72. Out of this, a sum of Rs 2.74 crores was transferred to general reserve as compared to Rs 3.14 crores in the earlier year while the appropriation to debenture redemption reserve was maintained at Rs 20 lakhs. The equity dividend will absorb Rs 2.77 crores, the same as in 1971-72, and will be paid out of the general reserve.

Fibreglass Pilkington

Fibreglass Pilkington has reported excellent working results during the year ended March 31, 1973. This has enabled the directors to declare a higher equity dividend of nine per cent as against the maiden equity dividend of six per cent paid for 1971-72. A substantial portion of the proposed dividend will be exempt from tax in the hands of shareholders. With a spurt in sales from Rs 2.06 crores to Rs 2.94 crores, gross profit jumped to Rs 83.07 lakhs from Rs 54.32 lakhs in 1971-72. Out of the gross profit, the directors have set apart a sum of Rs 14.73 lakhs to depreciation reserve including technical know-how fees as against Rs 12.17 lakhs in 1971-72 while the allotment to development rebate reserve was reduced from Rs 10,77 lakhs to Rs 2.43 lakhs. An amount of Rs 38 lakhs was set aside for meeting tax liabilities as against no provision in 1971-72. Besides the directors have set aside a sum of Rs 2.50 lakhs for repairs as against Rs 3.24 lakhs in 1971-72. After making adjustments, a sum of Rs 25.84 lakhs was transferred to general reserve. The proposed dividend will claim Rs 14.40 lakhs and will be paid out of the general reserve. Its exports amounted to Rs 3.59 lakhs as against Rs 4.16 lakhs in 1971-72.

Synthetics and Chemicals

In view of the limitations on the expansion of its plant at Bareilly on the basis of alcohol, Synthetics and Chemicals proposes to diversify its manufacturing activities. It has applied for a licence for the manufacture of steel cord conveyor belting and other beltings and expects governments' clearance shortly. The project will involve a capital outlay of about Rs five crores. The management has also under consideration several other schemes which are expected to improve substantially the profitability of the company. Meanwhile steps are being taken for conversion of the letter of intent for the manufacture of 2000 tonnes of nitrile rubber into a licence. Production on a pilot plant will commence during the current year and commercial production a year later. As known, the company's application for expansion of installed capacity from 30,000 to 50,000 tonnes has been turned down on grounds of uncertain alcohol supplies. But under the present rules the company is allowed to produce 25 per cent in excess of its licensed capacity. This would enable it to produce up to 40,000 tonnes a year including nitrile rubber. In the meantime the company has approached the UP government and the union Ministry of Petroleum and Chemicals seeking an assurance for regular and uninterrupted supplies of alcohol in the coming years. To hedge against the possibility of alcohol shortages in future years, the company had submitted an application to the government for allowing the company to import annually 10,000 tonnes of butadiene on a five to ten year basis. In response to the company's request the government has approved in principle to its making a five-year contract for import of 4000 tonnes of butadiene per annum on terms subject to the government's approval.

Usha Alloys and Steels

The construction for the Rs 3.28 crore project at Adityapur, near Jamshedpur is going as per schedule. Power supply and other arrangements for the plant has progressed considerably and the company expects to go into production as per the stipulated time. The company, promoted by Usha Martin Black (Wire Ropes) Limited, has set an example in the working of the Indian companies by completing allotment and refund orders within a record time. The public subscription list for equity shares was closed on April 26, 1973. The company received over 46,000 applications and the issue was oversubscribed by 22 times. Following an announcement on June 2, that the share ceritficates and or letters of regret with refund orders would be despatched from June 9, the company has strictly adhered to the stipulated date despite difficulties and also foregoing considerable amount of interest on fixed deposits. This unprecedented achievement will no doubt encourage the management of other companies and the investing public, particularly small ones who would not feel the pinch of blockade of their meagre investment funds.

Widia (India)

Although Widia (India) Ltd has to contend with several adverse factors such as severe and sharp power cuts, delays in the supplies of imported raw materials and substantial increase in salaries and wages, it has made commendable progress during the year ended December 31, 1972. Net sales of the company, excluding export benefits, recorded a smart rise from Rs 148.67 lakhs to Rs 165.00 lakhs in 1972, registering a gain of as much as 11 per cent. The savage power cuts did not upset the working of the company during the year as the company had made adequate alternative arrangements for power supply. With the rationalisation of p.oduction and the ambitious expansion schemes in hand, sales are expected to pick up during the current year. Its exports during the year too increased substantially to Rs 10.13 lakhs. Apart from

pushing up its sales in domestic markets vigorous efforts are being made by the company to promote sales in overseas markets. Its efforts have already been amply rewarded, the export contracts pending as on April 30, 1973, being of the order of Rs 21 lakhs. Profits also looked up to Rs 47.12 lakhs, recording a handsome increase of five per cent or Rs 2.21 lakhs over 1971. The appropriation to depreciation reserve was stepped up from 10.45 lakhs to Rs 12.06 lakhs. This leaves a surplus of Rs 35.05 lakhs as compared to Rs 34.46 lakhs in 1971. But after adjusting the loss of Rs 15.46 lakhs brought forward from the previous year the amount available for appropriations in 1971 amounted to Rs 18.99 lakhs as compared to Rs 35.05 lakhs in 1972. Out of the disposable surplus of Rs 35.05 lakhs, an amount of Rs 2.88 lakhs was allocated to development rebate reserve while Rs 6000 was set aside to National Defence fund. The balance of Rs 32.11 lakhs was transferred to general reserve. The directors have recommended a tax free dividend of 15 per cent for 1972 and it will be paid out of the general reserve,

Indian Hotels

The directors of the Indian Hotels Company Limited have recommended, subject to deduction of taxes at source, the payment of dividend at the rate of 9.3 per cent on preference shares and 6 per cent on the ordinary shares to be paid out of the general reserve. This is the first dividend on ordinary shares of the Indian Hotels ever since the Company issued shares to the public in October 1970. The Payment of the divident this year corresponds with the forecast made in the company's prospectus in 1970 that the heavy capital expenditure incurred on the construction of the new hotel and the renovation and expansion of the Taj Mahal Hotel would have a depressing effect on the profits for the next two years. At the end of this period, the prospects said, the directors were confident that the company's profitability from the operation of the two hotels would improve and they would be able to pay a reasonable dividend on its equity capital. The new preference and ordinary shares (50 per cent paid-up) were allotted on January 1, 1971, and the share become fully paid on October 1, 1971. Thus the new ordinary shareholders have had to wait for only one complete financial year before receiving their dividends on ordinary shares. Dividend on preference shares has been paid for both the previous years. The disbursements on account of the dividends will aggregate to Rs 15,91,500 which, if approved by the shareholers at the company's annual general meeting scheduled for July 24, will be paid out of the general reserve. The company's working for 1972-73 shows a total income of Rs 435.32 lakhs compared to Rs 289.84 lakhs in the previous year. The net profit, after providing Rs 44.61 lakhs (previous year Rs 20.54 lakhs) for depreciation, Rs 38.58 lakhs (previous year Rs 19.52 lakhs) for interest and taxes Rs nil (previous year Rs 2.80 lakhs) was Rs 40.28 lakhs against Rs 6.66 lakhs in 1971-72. After deducting transfers to development rebate reserve Rs 32.84 lakhs (previous year Rs 2.92 lakhs) and adjustments for the previous years' income tax Rs 4.36 lakhs (previous year Rs nil) the amounts available for approriation is Rs 11.80 lakhs (provious year Rs 3.74 lakhs). This entire amount has been transferred to general reserve.

Andhra Bank

The year 1972 was yet another successful year for Andhra Bank Ltd. During 1972 its deposits crossed the Rs 100-crore mark and touched the handsome figure of Rs 109.50 crores, recording a rise of Rs 29.59 crores or 37.03 per cent over 1971. This is in marked contrast to an increase of 17.43 per cent for the banking industry as a whole. Advances too went up sharply from Rs 52.48 crores to Rs 68.51 crores, registering a gain of 30.54 per cent which is far higher than the increase for the banking industry which was only 6.86 per cent. Its profits too were substantially higher at Rs 16.11 lakhs as compared to Rs 12.21 lakhs in 1971. Moreover 40 branches were opened during 1972, taking the total number of branches, excluding extension counters, to 279 at the end of the year. These creditable achievements of the bank were highlighted by the Chairman Mr K. Gopal Rao while addressing the annual general meeting of the Bank held recently in Hyderabad.

The bank has made spectacular progress in the field of branch expansion. It opened 164 branches during the five-year period 1968 to 1972 out of which 152 branches were in Andhra Pradesh. As against this, the bank could open only 40 branches during the years 1963 to 1967. Many novel techniques were devised and implemented by the bank for the spread of banking offices. The bank, for instance, is a pioneer of the cluster branches idea. This scheme has been drawn up with the idea of providing banking facilities to the remotest villages. By this method, villages with growth potential can be identified and nurtured where, in course of time, a full fledged branch can be opened and more villages added to the cluster. Apart from this new method, the bank has put into operation with remarkable success several other schemes such as the pilgrim centre branches, branches in educational institutions, and one man branches with a view to inculcate banking habit and rendering service to all segments of the society. Some of these techniques have been perfected and it should be possible to employ them more effectively and reap the benefits in fuller measure in the coming years. The bank has also implemented quite a good number of schemes for mobilisation deposits, notable among them being the Kiddy bank which has caught the imagination of young children and through them of their parents. Consistent with the social objectives set for banks every endeavour is being made to step up advances to priority sectors and weaker sections of the community. At the end of 1972, its advances to agricultural sector amounted to Rs 10.49 crores out of which direct advances amounted to Rs 9.94 crores spread over nearly 80,000 borrowers. The average loan per agriculturist worked out to about Rs 1200. The bank has financed small scale units to the extent of Rs 9.07 crores at the end of 1972. Apart from lending to traditional small-scale industries, the bank over the past two years has also started financing a number of technocrats and self employed persons. The bank is also rendering valuable financial assistance in the field of exports. Further it is significant to note that the Andhra Bank is one of the only two banks in the private sector selected for the Lead Bank role. The bank is the Lead Bank for six districts, five in Andhra and one in Orissa. The bank is financing primary cooperative societies, small farmers, tribals, and minor irrigation schemes. Experience has shown that these new types of advances on the whole has been satisfactory.

News and Notes

(*Expansions and diversification*)

Bharat Forge Company has been permitted for doubling its capacity for forgings to 24,000 tonnes and for manufacturing crankshaft finishing facilities to 25,000 number from 16,800 numbers. There is no proposal at present, it seems, for issuing capital in equity or preference shares. The company, however, is seeking shareholders approval for an increase in its borrowing powers up to Rs 11 crores from the existing limit of Rs 8 crores in order to raise loans from term-lending institutions and also secure additional bank finance for working capital requirements. The company is the largest commercial forging unit in the country catering to the requirements of several priority and key indus-

tries such as diesel engines, automobiles, power generating plants, earth moving equipment, tractors and aircrafts. With a larger demand for diesel engines and a higher output of tractors, there has lately been an increase in the offtake of forgings and other products. The company's sales in the first five months of the current year has been more than doubled to Rs 3.83 crores and this uptrend is expected to be maintained in the remaining months of the current year.

New Issues

Haryana Breweries Ltd. will be entering the capital market sometime in August offering for public subscription 3,30,750 equity shares of Rs 10 each and 22,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each, both at par. The company is setting up a brewery with an installed capacity of 50,000 hecto litres per annum at Sonepat, near Delhi. It has obtained process know-how from the famous Danish firm of Albred Jorgensen which has set up more than 200 breweries all over the world. In order to ensure production of beer of good standard and high quality the company proposes to utilise the services of a foreign brew master. Construction work at the site is almost nearing completion and the imported bottling plant has arrived at the factory site. The remaining equipments are expected to be received by the end of 1973 and production is expected to commence in the first quarter of 1974. The cost of the project is placed at Rs 180 lakhs and it will be financed through the equity capital of Rs 67.50 lakhs, preference capital of Rs 22.50 lakhs, and loans from financial institutions and banks of Rs 90 lakhs. The demand for beer is increasing at the rate of 15 per cent per annum and it is, therefore, felt that there will not be any marketing problems. Further the Haryana government which has promoted this project has started a number of tourist motels on the Grand Trunk Road and they all would be serving the company's beer. The company, therefore, hopes to earn good profits right from the very beginning and also declare a reasonable maiden dividend from the very first of its operations.

Bengal Ferro Alloy and Steel will be approaching the capital market with a public issue of Rs 24 lakhs, all in equity shares of Rs 10 each. The proceeds of the issue will be utilised for financing partly the company's mini steel plant being set up at Kalyani near Calcutta. The company is putting up a 10/12 tonne electric arc furnace. The installed capacity of the plant will be 18,000 tonnes of mild steel ingots per annum. The plant and its production facilities is so designed that there is considerable scope for expansion without interruption to production activities whatsoever. Commercial production is expected to commence by October-November 1973. The capital cost of the project is estimated at Rs 92 lakhs. Barring unforeseen circumstances the management hopes to earn sufficient profits which will enable them to declare a reasonable maiden equity dividend after twelve months of production.

Durrung Steels Ltd., promoted by the well known firm Sheoparshad Bhagwatiprasad having large interests in tea, proposes to set up an electric are furnance at Rourkee for the manufacture of 10,000 tonnes of low alloy steel per annum. The construction of the plant is nearing compleiton and the commercial production is expected to begin by December, 1973. The company proposes to instal a rolling mill Immediately after the furnance is commissioned. The total capital outlay of the project is Rs. 57.5 lakhs, which is to be met by the share capital of Rs 24.4 lakhs and the rest in loans from financial institutions and banks. The company proposes to enter the capital market shortly with on issue of 1,50,000 equity shares of Rs 10 each at par to the public. The Directors envisage a very bright future for the company and anticipate, subject to unforeseen circumstances, to pay a reasonable dividend from the very first year after commencement of production.

Orient Abrasives proposes to enter the capital market some time next month with a public issue of Rs. 62 lakhs comprising 4.20 lakh equity shares of Rs 10 each and 20,000 cumulative redeemable preference shares of Rs 100 each at par. The proceeds of the issue will be utiiised for financing partly the company's project being set up at Porbandar (Gujarat) for the manufacture of aluminium oxide abrasive grains. The cost of the project is estimated at Rs 2.30 crores, which will be met by share capital (Rs 90 lakhs), and term loans from ICICI, IFC, GSFC and GIIC (Rs 140 lakhs). The company proposes to start production of white aluminium oxide abrasive grains by early 1974. The major portion of the equipment for brown aluminium oxide abrasive grains will also be installed in early 1974 to take advantage of the development rebate incentive. The technical collaboration will be provided by a firm from Czechoslovakia. The main raw material for the project is bauxite of a very special grade, which is available in Saurashtra area. The company has been assured by the state government that mining lease for an adequate quantity and quality of bauxile would be granted to it. The other raw material is pure calcined alumina, which will be available by indigenous sources.

Capital and Bonus Issues

Consent has been accorded to ten companies to raise capital amounting to over Rs 4.85 crores. Following are the details:

Morarjee Goculdas Spinning & Weaving Company Limited, has been accorded consent, valid for three months, to capitalise Rs 37,37,500 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 1 bonus shares for every 4 equity shares held.

T.I. Diamond Chain Limited, Madras, has been accorded consent, valid for three months, to capitalise Rs 11,33,200 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 1 bonus share for every 3 equity shares held.

Super Spinning Mills Limited, Coimbatore, has been accorded consent, valid for three months, to capitalise a sum of Rs 12.50 lakhs and issue of 12,500 fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus shares for every two equity shares held.

Gharda Chemical Private Limited, Bombay, has been granted consent, valid for three months, for issue of bonus shares worth Rs 11,31,600.

Pandiyan Roadways Corporation Ltd., Madurai, has been given consent, valid for 12 months, for the issue of convertible debentures of the value of Rs 10 lakhs to the employees of the company with a view to ensuring their participation on the management of the company.

Rathi Udyog Ltd., New Delhi, has communicated government of their proposal to issue capital under clause 5 of the capital Issues (Exemption) Order 1969, to the value of Rs 63 lakhs (inclusive of the capital already raised) in 6.30 lakhs equity shares of Rs. 10 each, for cash at per out of which shares worth Rs 38 lakhs will be offered for public subscription to instal re-rolling Mill for the manufacture of wire rod and structural.

Meena Steels Limited, Delhi, has been given an acknowledgement to their statement of proposals, valid for 12 months, for issue of equity capital worth Rs 45 lakhs for setting up a steel Mill at Unnao in Uttar Pradesh.

Electric Construction & Equipment Limited, New Delhi, has been granted consent, valid for 12 months, for issue of 8 per cent debentures worth Rs

50 lakhs to be issued to public for cash at par. The proceeds of the issue are to be utilised for setting up a G.L.S. and Flourescent Lamp Factory at Sonepat (Haryana).

Mahindra & Mahindra Limited, Bombay, has been accorded a consent, valid for 12 months, to issue capital of Rs 2,10,27,060, Rs 1,10,27,060 in equity shares and Rs one crore in preference shares. The proceeds of this issue will be utilised to provide additional finance for the next phase of the company's expansion programme.

Karam Chand Thapar & Bros. Pvt., Ltd.. Calcutta, has been accorded consent, valid for 12 months, to issue capital of Rs 35 lakhs in debentures to be issued to private individuals/parties. The proceeds of the issue will be utilised for repayment of deposits/loans in order to bring down the loans and deposits within the prescribed limit as allowed by the Reserve Bank of India.

Licences and letters of intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act, 1951 for the two weeks ended March 3, 1973. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU); Substantial Expansion (SE); New Article (NA); Carry on Business (COB); Shifting — and annual installed capacity.

Licences Issued

Wires and Cables

M/s. Hindustan Wires Ltd., 16/5, Jawaharlal Nehru Road, Calcutta-13. (Faridabad-Haryana) — Steel Wires of various types—23,000 tonnes; Stainless Steel Wires—1,000 tonnes —(NU); M/s. The Fort Williams Co. Ltd., 14, Netaji Subhas Road, Calcutta-1. (Konnagar-W.B.) — Cable Armouring Wire, Spring steel wires, Alloy steel wires — 1,000 tonnes combined annual capacity — (COB).

Electrical Equipment

M/s. Power Cables Pvt. Ltd., 184-186, Golf Links Area, New Delhi-3. Nadiad-Gujarat — GLS Lamps (15 to 250W)—7.5 M. Nos (NA); M/s. Standard Batteries Ltd., Oldham Division, 21/22, Alandur Road, Madras-32. (Tamil Nadu)—Automotive Batteries — 1.2 Lakh Nos; Traction Batteries —10,000 Nos—(SE); M/s. A. Stock & Co. Ltd., 8, Garagacha Road, Calcutta-27 (WB) (Calcutta-WB) — Electric Arc Melting Furnaces—24 Nos—(NA); M/s. Radhu Insulating Co. Pvt. Ltd., White Field P.O. Bangalore (Bangalore-Mysore) — Electrical Steel Stampings & Laminations — 1,500 tonnes — (NU).

Transportation

M/s. Automobile Products of India Ltd., Lal Bahadur Shastri Marg, Bhandup, Bombay-78 NB. (Bombay-Maharashtra) — Scooters including Three-wheelers — 48,000 Nos — (SE); M/s. Hydraulics Ltd., 29, Mount Road, Madras-2. (Madras-Tamil Nadu) — Shock Absorbers — 4,00,000 Nos after expn. — (SE); M/s. Bajaj Auto Ltd., Chinchwad, Poona-19. (Poona-Maharashtra) — Scooters including three-wheelers—48,000 Nos after expn.—(SE).

Industrial Machinery

M/s. Snail Spanners (I) & Tools Ltd., 87, Nagdevi Cross Lane, Bombay-3. (Bombay-Maharashtra) — Beater & Refiner Bars and Bed Plates—300 Nos — (SE); M/s. Bombay Alloy Steel Industries (P) Ltd., 87, Nagadevi Cross Lane, Bombay-3 (BR) (Bombay-Maharashtra) — Beater & Refined Bars and Bed Plates—300 nos—(SE).

Earth Moving Equipment

M/s. Track Parts of India Pvt. Ltd., 4, Industrial Area, Govindnagar (Kanpur-22). (Kanpur-UP) — Cutting Edges & Blades for Earth-moving machines — 5,000 Nos; Seal Washers for Sealed Tracks—3 Lakh Nos.; Special Rubber '0' Rings for use in Track Rollers of Crawler Tractors — 2 Lakh Nos.; Life Time Metallic Seals for track roller for Crawler Tractors — 50,000 Nos — (NA); M/s. Kirloskar Oil Engines Ltd., Elphinstone Road, Poona-3. (Poona-Maharashtra) — Road Rollers (upto 20 tonnes capacity) — 1,500 Nos. —(NA).

Engineering Industries

M/s. Jairamdas Udyog Pvt. Ltd., 111/119, Silver Jubilee Park Road, Bangalore-2. (Bangalore-Mysore)—Remaers (above 1" diameter) — 24,000 Nos; Cutters & End Mills (above 20 mm diameter) — 96,000 Nos.; Segmental Saws—10,000 Nos only—(NA); Expansion — Twist Drills — 29,80,000 Nos.; Ground Thread Tans — 3,12,000 Nos — (NA/SE).

Scientific Instruments

M/s. H. Guru Instruments (P) Ltd., 2-A Shakespeare Sarani, Calcutta-16. Rishra (WB) — Gas Analysers with indicating recording and controlling devices — 200 Nos; Chemical Analytical Instruments — 200 Nos; Flow Recorders, Indicators, Controllers and Switches with different types of Primary sensing elements — 100 Nos; Optical and Radiation Pyrometer — 200 Nos.; Different types of Controllers — 500 Nos; Different types of Transmitters — 1000 Nos; Bimetal Thermometers—10,000 Nos; Gas Regulators—2,00,000 Nos; Different types of Valves—2,000 Nos; Resistance Thermometers and Indicators—1,000 Nos; Level Indicators, Recorders, Controllers and Switches — 500 Nos; Control Panels — 200 Nos—(NA).

Fertilisers

M/s The Phosphate Co. Ltd; 14, Netaji Subhas Road, Calcutta-1. (Rishra-West Bengal)

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current Year	Previous Year
Higher Dividends			
Madras Industrial Linings	March 31, 1973	6.0+	Nil
Sri Ramkrishna Mills (Coimbatore) Ltd	March 31, 1973	12.0	10.0
Sri Arbuda Mills	December 31, 1972	14.0	13.0
Bowreah Cotton Mills Company	December 31, 1972	20.0	10.0
Same Dividends			
Sundaram Textiles	March 31, 1973	15.0	15.0
Coimbatore Pioneer fertilizers	March 31, 1973	Nil	Nil
Wellman Incandescent	March 31, 1973	10.0	10.0
Saraspur Mills	December 31, 1972	18.0	18.0
Nutan Mills	December 31, 1972	18.0	18.0
Laxmi Vishnu Textiles	December 31, 1972	Nil	Nil
Trichinopoly Mills	December 31, 1972	12.5	12.5
Elpro International	December 31, 1972	12.0	12.0
Coorla Spg. & Wvg. Company	March 31, 1973	9.0	9.0
Bharat Carbon & Ribbon Manufacturing Co.	December 31, 1972	Nil	Nil
Joonktoollee Tea and Industries	December 31, 1972	15.0	15.0
Reduced Dividends			
Swastik Rubber	December 31, 1972	Nil	12.0

+*Maiden dividend*

—Granulated mixed Fertilizers — 36,000 tonnes — (COB).

Chemicals

M/s. Panyam Cement & Mineral Industries Ltd; Cement Nagar, P.O.Karnul, Distt; Andhra Pradesh. (Hospet-Mysore) — Calcium Carbide — 14,850 tonnes — (NU).

Drugs & Pharmaceuticals

M/s. Bengal Chemical & Pharmaceuticals Works Ltd; 6, Ganesh Chander Avenue, Calcutta-13. (Calcutta-West Bengal) — Chloropropamide—1200 Kgs.—(SE); M/s. India Pharmaceuticals Works Ltd; 83, Kohinoor Road, Dadar, Bombay-14. (Bombay-Maharashtra) — Polymycin H. Ointment (Skin & Eye) — 5,200 Kgs — (NA).

Textiles

M/s. Hiralal Manchharam & Sons Pvt. Ltd; Lal Darwaja, Gundi Sheri, Surat. (Surat-Gujarat) — Art Silk Fabrics—Total capacity after expansion will be 158 powerlooms —(SE); M/s Dhanamall Silk Mills, Varachha Road, Surat-3. (Surat-Gujarat) — Art Silk Fabrics — Total capacity after expansion will be 347 powerlooms — (SE); M/s. Hathiwala Rayon Mills, Begumpura, Surat. (Surat-Gujarat) — Art Silk Fabrics — Total capacity after expansion will be 93 powerlooms—(SE); M/s. Garden Silk Weaving Factory, Rampur, Tunki, Surat-3. (Surat-Gujarat) — Art Silk Fabrics—Total capacity after expansion will be 82 powerlooms — (SE); M/s. Standard Silk Mills, Darwaja, Vertal Devdi Road, Surat-3 (Surat-Gujarat) — Art Silk Fabrics — Total capacity after expansion will be 112 powerlooms — (SE); M/s. The Vania Silk Mills (P) Ltd; 500, Kalbadevi Road, Bombay. (Bilimora-Gujarat) — Art Silk Fabrics — 298 powerlooms after expansion — (SE); M/s. Gadag Co-operative Textile Mills Ltd; Hulkoti Talukagodag, Dist. Dharwar, Mysore. (Hulkoti - Godag - Dharwar-Mysore State) — 25,000 spindles for the manufacture of cotton yarn—(NU).

Paper & Pulp

M/s. Modern Packaging Ltd; Telecom House, Dr. E. Moses Road, Bombay-11. (Bombay-Maharashtra) — Paper & Cellophane Wrappers — 24 tonnes, Cell Bags (Polyethylene—60 tonnes; Bags-Polythene — 25 tonnes—(NU); M/s. Suraj Industrial Packing Ltd; "Sriniketan", Gurudwara Road, Lucknow-1, (Gokulgram (UP) —Fire & Water Proof Board—7,500 tonnes; Industrial Board —3,000 tonnes — (NU).

Fermentation Industries

M/s. Mohan Meakin Breweries Ltd; Mohan Nagar, Ghaziabad (UP) (Ghaziabad-UP) — Bakers Yeast — 800 tonnes after expansion — (SE).

Food Processing Industries

M/s. Haryana Milk Foods, 2, Flagstaff Road, Delhi-6. (Karnal-Haryana) — Whole/Skim Milk Powder — 800 tonnes; Infant Milk Food—1200 tonnes; Condensed Milk —1000 tonnes — (COB); M/s. Khemka Flour Mills (P) Ltd; Indian Chamber Bldgs; Esplanade, Madras-1. (Calicut-Kerala) — Wheat Products — 30,000 tonnes — (SE); Shri R. G. Harlalka, c/o M/s Bajrang Stores, P.O. Dhubri, Dist: Goalpara. (Dhubri-Assam) — Wheat Products — 36,000 tonnes — (NU); Shri K. B. Narasappa, 52/145, Fort, Kurnool, (Vijayawada-Andhra Pradesh) — Soft Drinks (Coco-Cola, etc.) — 96 million Bottles —(NU).

Vegetable Oils & Vanaspati

M/s Indian Vegetable Products Ltd; Forbes Bldg; Home Street, Bombay. (Bombay - Maharashtra) — Vanaspati — 100 tonnes per day — (COB); M/s Tata Oil Mills Co. Ltd; 24, Bruce Street, Bombay-1. (Cochin-Kerala) — Vanaspati — 20 tonnes per day — (COB); M/s Tata Oil Mills Co. Ltd; 24, Bruce Street, Bombay-1. (Madras - Tamil Nadu) — Vanaspati — 30 tonnes per day. —(COB); M/s Shree Proteins & Foods Ltd; 31, Noble Chambers, 4th Floor, Parsee Bazar, Street, Fort, Bombay-1. (Broach - Gujarat) — Cotton Seed Oil — 30,000 tonnes —(NU).

Leather & Leather Goods

M/s A. Abdul Shakoor & Co., 35, Broadway, Madras-1. (Vaniyambadi-North Arcot) Tamil Nadu — Finished Leather (New Articles) — 5.04 lakh square feet; E.I. Tanned Goat & Sheet Skins (Expansion) — 14.04 lakh nos; Net Blue Chrome tanned Goat & Sheet Skins (Expansion)—5.04 lakh nos; — (NA/SE).

Glass

M/s The Bengal Electric Lamps Works Ltd; Old Madras Road (20 KM.), Bangalore. (Bangalore-Mysore) — Glass Shells—24 m.pcs.; Glass Tubes — 2,400 tonnes — (COB).

Ceramics

M/s Bhavnagar Potteries Ltd; Plot No. 49, Industrial Estate, Vithalwadi, Bhavnagar. (Bhavnagar - Gujarat) — Crockery — 4,200 tonnes — (NU); M/s Nalanda Ceramics & Industries Ltd; 90, Dharamtala Street, Calcutta-13. (Ranchi-Bihar) — Decorated Porcelain Tablewares — 3,000 tonnes — (NU).

Letters of Intent

Metallurgical Industries (Ferrous)

Shri C. K. Jain 106-B, New Mandi, Muzaffarnagar (UP) (Sikanderabad-UP) — H.T. Bolts & Nuts — 2,000 tonnes—(NU); Shri B. G. Patel, J/427, New Rajinder Nagar, New Delhi-60. (Gujarat) — H.T. Bolts and Nuts — 1800 tonnes —(NU); M/s S & H Industrial Corporation, Flat No. 323, Dadar Commercial Premises Co-op. Society Ltd., 95-D Phalke Road, (Near Dadar Rly. Stn.) Bombay-14. (Bangalore-Mysore) — H.T. Bolts & Nuts 2700 tonnes; H.T. Machine Screws 1200 tonnes (NU); M/s Delhi Cloth & General Mills Co. Ltd., (Textile Division) New Projects Organisation) Himalaya House (3rd Floor) 23, Kasturba Gandhi Marg, New Delhi (Punjab-MP-UP-Rajasthan) — Alloy Iron Castings, S.G. Iron Castings—25,000 tonnes — (NU); Shri M. F. Tamboli, Managing Director, Steel Cast Bavnagar (P) Ltd., Rupvari Road, Bhavnagar (Gujarat) — Investment & Precision Castings — 250 tonnes — (NU); M/s Fort Williams Co. Ltd., 14, Netaji Subhash Road, Calcutta-1. (Konnagar-West Bengal) — Cable Armouring Wires (round & flattended); Spring Steel Wires (1 to 30 SWC); Alloy Steel Wire (excluding Stainless steel wires) — 6,;00 tonnes (SE); M/s Kakar Fuels (P) Ltd, C/o Shri Ram Saran Das & Bros, 18, Netaji Subhas Road, Post Box No. 259, Calcutta-1. (Uttar Pradesh) — Clean Glow Smokeless Fuel Briquettes—36,000 tonnes (NU); Shri P. Kumar, C/o CTR Mfg. Industries Ltd., Nagar Road, Poona-14. (Maharashtra) — C. R. Steel Strips—12,000 tonnes — (NU).

Metallurgical Industries (Non-Ferrous)

M/s Hindustan Chains Pvt. Ltd., 149, G.T. Road, P.O. Malak Nagar, Ghaziabad (UP) (Ghaziabad-UP) — Aluminium Collapsible Tubes and Aluminium Slugs — 12 Million Nos and 1,200 tonnes — (NU); Shri Ramratan Rambagas, Karwa, Dwarka Bhawan, Nasik Road, Nasik. (Satpur-Nasik - Maharashtra) — Aluminium Bolts — 5.2 Million Nos; Aluminium Rigid Containers — 12.6 Million Nos—(NU).

Electrical Equipment

M/s Bombay Burmah Trading Corpn. Ltd., 9, Wallace Street, Fort, Bombay (Maharashtra) — Reed Relays — 2,00,000 Nos; Sealed Relays (Conventional) — 25,000 Nos; Sealed Relays (Miniature) — 25,000 Nos; General Purpose Relays — (Magnetic-Non sealed) — 25,000 Nos—(NU); M/s Miniature Bulb Industries of India, 131, Kanwali Road, Dehra Dun (MP). (Dehra Dun-UP) — Krypton Gas Filled Bulbs for Miner's Caps Lamps — 1.5 M. Nos; Assymetric Bulbs for Automobiles — 1.5 Million Nos — (NA).

Transportation

Shri C. G. Jagdish Kumar, Iyyattel Road, Cochin-I (Cochin-Kerala) — Deep Sea Steel Trawlers — 10 Nos;—(NU); M/s British Motor Car Co. (P) Ltd., Connaught Circus, North Block Pratap Building New Delhi — Engine Valves — 11.50 lakhs; Valve Guides — 2 Lakhs; Valve Tap-

pets — 2 Lakhs; Push Rods — 2 Lakhs — (NU).

Industrial Machinery

M/s Standard Machinery (Karamchand Premchand Pvt. Ltd., Ranoli (Western Rly) Distt. Baroda (Gujarat-Ranoli-Baroda-Gujarat) — Mercury Cells — Rs. 1 Crore — (SE); M/s Anup Engg. Ltd., The Anil Starch's Premises, Anil Road, P.B. No. 1164, Ahmedabad (Ahmedabad-Gujarat) — Soda Ash Plants Equipments & Components — Rs. 1 Crore; Shri Devinder Singh Grewal, K-55, Connaught Circus, New Delhi-1. (Delhi) — Rock Roller Bits — 3000 Nos — (NU); M/s Hindustan Boilers 21, Hamam Street, Fort, Bombay-1. (Udhana, Surat-Gujarat) — Multi Mesh Disc. Filters and Elements — 3,20,000 Nos worth Rs. 88.00 Lakhs — (SE).

Industrial Machinery

Shri R. S. Pasari, 14, Theatre Road, Calcutta-16. (Uttar Pradesh) — Industrial & Marine Gears & Gear Units of various types — Rs. 300 Lakhs —(NU).

Machine Tools

M/s Killick Nixon Ltd., Engineering Division, Killick Annexe, 31, Murzban Road, Bombay-1 (BR) (Chandivali-Maharashtra) — Hydraulic Gear Pumps with Accessories such as valves, adaptors Flow Dividers—worth Rs. 1 crore—(NU); The Chairman & Mng. Director: H.M.T. Ltd., P.O. HMT, Bangalore (Hyderabad-Andhra Pradesh) — Unit Assembled Bed type Milling Machines — Capacity will be determined after 3 years after commencement of production —(NA); Shri R. L. Jain, 20/2, Shakti Nagar, Delhi-7. (Gurgaon-Haryana) — Belt Pulleys for Agricultural Tractors — 12,000 Nos — (NU).

Industrial Instruments

M/s Electronics Ltd, 'A' Block, Connaught Place, New Delhi-1. (Faridabad-Haryana) — Air Gauges & Accessories 3,000 Nos; Electronic Gauges & Accessories — 500 Nos; Mechanical Comparators & Accessories — 500 Nos; Dial Indicators — 20,000 Nos — (NA).

Fertilisers

M/s Excel Industries Ltd, 184-87, Swami Vivekanand Road, Jogeshwari, Bombay-60 (BR) (Bhavnagar-Gujarat) — Alumin'um Phosphide 150 tonnes (300 tonnes after expn.) —(SE).

Chemicals

M/s Martin & Harris Pvt. Ltd., 22A, Mahants Building, Asaf Ali Road, New Delhi. (Maharashtra) — Acetylene Black — 1,000 tonnes — (NU); M/s India Dyecheme Industries Pvt. Ltd., Katra Tobacco, Khari Baoli, Delhi-6. (Sonepat-Haryana) — Dyes for Acrylic Fibres — 70 tonnes; Disperse Dyes — 5 tonnes; Solvent Dyes — 45 tonnes; Azo Dyes (Mordant) — 20 tonnes — (NA); M/s Searsole Mining Industries Pvt. Ltd., P.O. Siarsol Rajbare; Distt. Burdwan (West Bengal) — Acetylene Black — 1000 tonnes — (NU); M/s The Bombay Oil Industries Pvt. Ltd., Kammoor House, 281-87, Narsi Natha Street, Bombay-9. (Bhandup-Maharashtra) — Fatty Acid — 3,000 tonnes after expan — (SE), M/s Deepak Nitrite Ltd., 72, "Advent, 12-A, Foreshore Road, Bombay-1. (Nandesari Industrial Area)-Gujarat) — Nitric Acid (57%) — 18,000 tonnes; Ammonium Nitrate — 5,000 tonnes; Nitric Acid Concentrated — 3,000 tonnes; Sulphuric Acid — 10,000 tonnes; Ferric Aluminium — 18,000 tonnes — (NA); M/s National Peroxide Ltd, Keville House, Graham Road, Ballard, Estate, Bombay-1, (Wadala-Maharashtra) — Sodium Perborate — 1,500 tonnes — (SE); M/s Gujarat State Fertilisers Co. Ltd., P.O. Baroda (Koyali-Baroda-Gujarat) — Styrene — 30,000 tonnes; Polyoterene — 10,000 tonnes; A.B.S. Resins— 4,000 tonnes; S.A.N. — 500 tonnes; High Impact Polystyrene — 1,500 tonnes — (NA).

Dyestuffs

Shri Shivanand J. Shah Mahalaxmi Chambers 2nd Floor, 22, Bhulabhai Desai Road, Bombay-26 (UB) (Gujarat) — Dye-Intermediates for Disperse Dyes — 200 tonnes — (NU).

Drugs & Pharmaceuticals

M/s Sarabhai Chemicals. Post Box. No. 31, Wadi. Wadi, Baroda (Baroda-Gujarat) — Ethambutol Hcl — 1 tonne — (NA); M/s Cynamide India Ltd., Nyloc House, 254-32 Dr. Annie Besant Road, Bombay-25. (Gujarat) — Ethambutol Hcl — 5 tonnes — (NA); M/s Dharamsi Morarji Chemicals Co. Ltd., Prospect Chambers, 317/21, Dr. Dadabhai Naoroji Road, Bombay-1. (Maharashtra) — Diethyl Sulphate — 750 tonnes — (NA); M/s Reliance Textile Industries (P) Ltd., Court House 4th Floor, Tilak Marg, Dhobi Talao, (Gujarat) — Installation of 325 — Additional Powerlooms for manufacture of Art Silk Fabrics — (SE).

Paper & Pulp

M/s The Mysore Paper Mills Ltd., Bhadravati Paper Town P.O., (S. Rly) (Bhadravati-Mysore) — Writing & Printings paper — 28,000 tonnes; Pulp — 28,000 tonnes after expn.— (SE); M/s Hindustan Paper Corpn. Ltd., D-44, South Extn., Part-II, New Delhi (Assam) — Quality paper — 50,000 tonnes; Saleable pulp — 30,000 tonnes — (NU).

Food Processing Industries

M/s Power Cables Pvt. Ltd., Barelvi Sayed Abdulla Road, Bombay-1. (Nadiad-Gujarat) — Biscuit, Crackers, Wafer, Cookies etc. — 8,000 tonnes — (NU); M/s Gujarat Agro Industries Corpn. Ltd., Khet Udyog Bhavan, Opp. High Court, Navrangpura, Ahmedabad-1. (Gujarat) — Acclematired Freeze Dried Mango, Chikoo and Banana Powder — 60 tonnes — (NU). M/s Jagatjit Industries Ltd., 54, Ring Road, Lajpat Nagar III New Delhi-24. (Patiala-Punjab) — Infant Food—1,000 tonnes; Weaning Food — 1,000 tonnes; Milk Powder — 1,500 tonnes; Condensed Milk — 1,200 tonnes; Cheese — 500 tonnes — (SE).

Rubber Goods

M/s Cosmos India Rubber Works Pvt. Ltd., 7, Homji Street, Fort, Bombay-1. (Satpur-Maharashtra) — Fabric Conveyor Belting — 1,000 tonnes; Steel Cord Belting — — 250 tonnes.

Ceramics

M/s Seshasayee Industries Ltd., 1/26-A, Shanti Niketan New Delhi-21. (Vadalur-Tamil Nadu) — H.T. Insulators — 6000 tonnes after expn. (Both P.T. & L.T. Insulators)—SE; M/s Caledonian Jute Mills Co. Ltd., 9, Brabourne Road, Calcutta-1. (Khurja-UP) — HT. Insulators and Bushings Iron 11 KV to 440 KV—6,000 tonnes — (NU).

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s Consolidated Chemicals India Ltd., 36 Linghi Chetty Street, Madras-1. (Tamil Nadu) —Carbon Dioxide; M/s Dhemo Main Collieries & Industries Ltd. 36, Chowringhee Road Calcutta-16 — Coal; M/s India Jute Co. Ltd., 16, Strand Road, Calcutta — Carpet Backing Cloth.

Changes in Names of Owners & undertakings

(Information pertains to particular licences only)

From M/s Raptakos Brett & Co. Ltd., Bombay — M/s Raptakos Brett & Co. Ltd., Bombay; From M/s Sudershan Engg. Pvt. Ltd., Bombay — M/s Sudershan Engineering Company Pvt. Ltd; From M/s Hyderabad Tools Pvt. Ltd., Hyderabad to M/s Nav Bharat Ferro Alloys Ltd., Hyderabad; From M/s Syntex Tube Works to M/s J. K. Synthetics Ltd., (Syntex Tube Works Division); From M/s Bera Colliery Company, Dhanbad to M/s Bera Colliery Company Private Ltd., P.O. Jharia, Distt. Dhanbad; From M/s Garlick & Company Pvt. Ltd. to M/s Garlick Engineering (A division of the Empire Dyeing & Mfg. Co. Ltd. Bombay; From M/s Bombay Card Clothing Co. Pvt. Ltd., to M/s Bombay Card Clothing Card Clothing Co. Ltd., Bombay; M/s North Searsole Colliery (M/s Kumari Rani Kamla Devi and Pt. Pushpendra Nath Maliah) — to M/s Searsole Mining Industries Pvt. Ltd., Messrs Khas Sijua Coal Co., Messrs The Central Nansjora Colliery, and M/s Selected Jogta Colliery have been changed to M/s Khas Sijua Coal Pvt. Ltd., Calcutta-12.

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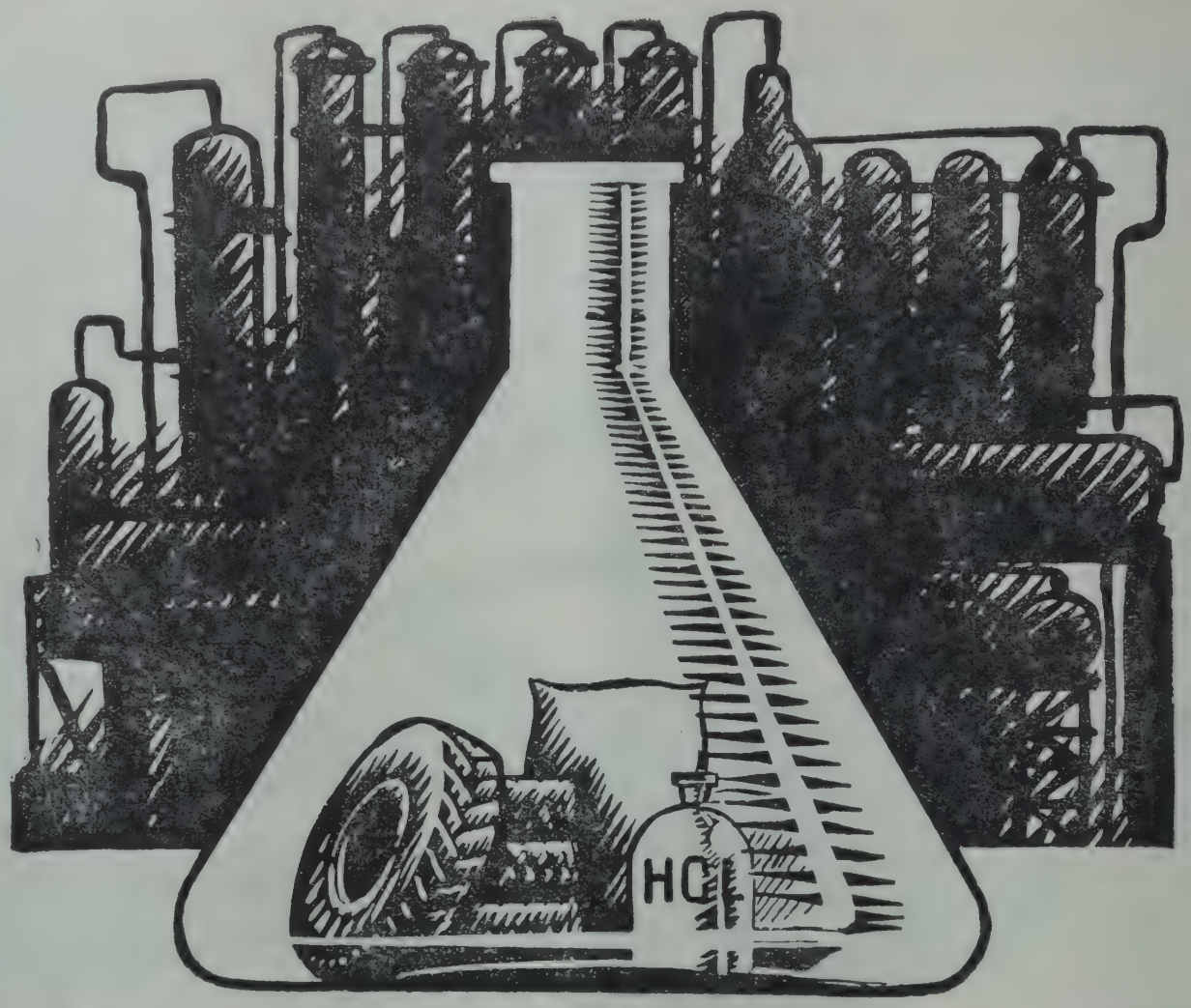


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NEFTECHIMPROMEXPORT

RECORDS AND STATISTICS

Wholsale prices

THE wholesale prices as measured by the official index (with the year ended March 1962=100) rose by 1.1 per cent to 219.9 in March, 1973 as against 217.4 for February, 1973. The index for March 1973 was higher by 14.4 per cent when compared to March, 1972. The rise in all commodities index during March, 1973 as compared to February, 1973 was shared by an advance in all the constituent groups. The rise was of the following order:

Food articles (+0.9 per cent to 253.3), liquor & tobacco (+1.8 per cent to 246.1), fuel power, light & lubricants (+1.5 per cent to 187.5 as against 184.7 for the earlier month), industrial raw materials (+2 per cent to 237.9), chemicals (+1.8 per cent to 206.0), machinery & transport equipment (+0.5 per cent to 171.1) and manufactures (+1.2 per cent to 183.5 as against 181.3 per cent) for the previous month).

Food articles

The sub-group indices for 'cereals' & 'pulses' rose by 0.8 and 4.6 per cent to 244.8 and 361.0 respectively due to an overall increase in the prices of cereals (except ragi) and pulses. This was responsible for pushing up the index for "foodgrains" by 1.7 per cent to 265.9. At this level, the index for "foodgrains" was also higher by 19.5 per cent when compared to that of a year ago. The sub-group index for "fruits & vegetables" advanced by 1.8 per cent to 225.8 due to an increase in the prices of potatoes, onions and cashewnuts. The prices of oranges, however, declined. The index for "milk & milk products" sub-group went up by 1.0 per cent to 233.9 due to higher prices of milk and ghee. Higher prices of all the edible oils raised the sub-group index for "edible oils" by 2.3 per cent to 275.8. The sub-group index "fish, eggs & meat" declined by 5.6 per cent to 297.7 due to a fall in the prices of all the items under this sub-group. A rise in the prices of gur was neutralised by a fall in the prices of sugar and khandsari, with the result that the index for "sugar & allied products" sub-group stood stationary at its last months level of 274.5. Among "other food articles" the prices of spices and condiments, tea and coffee and processed food advanced while those of betelnuts and salt declined; consequently the index for this subgroup rose by 0.9 per cent to 170.2

Liquor & tobacco

The index for "liquor & tobacco" rose by 1.8 per cent to 246.1 due to higher prices of tobacco manufactured. The prices of tobacco raw, however, declined.

Fuel, power, light and lubricants

The index for the group moved up by 1.5 per cent to 187.5 due to a rise in the price of

Index Numbers of Wholesale Prices by Groups & Sub-Groups of Commodities

(Base 1961-62=100)

Group & Sub-Group	March '73	Feb. '73	March '72	Percentage rise (+) or fall (—) Mar. '73 / Feb. '73	Mar. '73 / Mar. '72
Food articles	253.3	251.1	216.2	+0.9	+17.2
Foodgrains	265.9	261.4	222.6	+1.7	+19.5
Cereals	244.8	242.9	208.5	+0.8	+17.4
Pulses	361.0	345.1	286.1	+4.6	+26.2
Fruits & vegetables	225.8	221.9	188.8	+1.8	+19.6
Milk & milk products	233.9	231.5	216.9	+1.0	+7.8
Edible oils	275.8	269.7	197.7	+2.3	+39.5
Fish, eggs & meat	297.7	315.4	262.8	—5.6	+13.3
Sugar & allied products	274.5	274.5	248.0	—	+10.7
Others	170.2	168.7	159.6	+0.9	+6.6
Liquor & tobacco	246.1	241.8	203.9	+1.8	+20.7
Fuel, power, light and lubricants	187.5	184.7	176.0	+1.5	+6.5
Industrial raw materials	237.9	233.3	182.0	+2.0	+30.7
Fibres	180.3	181.4	164.2	—0.6	+9.8
Oilseeds	290.0	282.2	202.4	+2.8	+43.3
Minerals	142.5	142.5	135.5	—	+5.2
Others	236.8	228.7	174.8	+3.5	+35.8
Chemicals	206.0	202.4	198.7	+1.8	+3.7
Machinery & transport equipment	171.1	170.3	162.6	+0.5	+5.2
Electrical machinery	171.9	171.7	163.3	+0.1	+5.3
Non-electrical machinery	182.4	180.9	171.3	+0.8	+6.5
Transport equipment	150.0	149.9	146.4	+0.1	+2.5
Manufactures	183.5	181.3	172.8	+1.2	+6.2
Intermediate products	228.2	222.1	206.6	+2.7	+10.5
Finished products	172.6	171.4	164.6	+0.7	+4.9
Textiles	171.7	170.6	170.9	+0.6	+0.5
Cotton manufactures	170.2	168.0	164.5	+1.3	+3.5
Jute manufactures	185.0	187.7	201.9	—1.4	—8.4
Silk & rayon manufactures	129.0	127.1	130.8	+1.5	—1.4
Woollen manufactures	212.0	212.0	194.4	—	+9.1
Coir mats & mattings	201.4	201.4	175.8	—	+14.6
Metal products	203.6	199.2	187.4	+2.2	+8.6
Non-metallic products	161.5	161.2	154.7	+0.2	+4.4
Chemical products	158.1	157.0	151.9	+0.7	+4.1
Leather products	100.1	100.1	98.0	—	+2.1
Rubber products	159.3	159.3	158.3	—	+0.6
Paper products	139.6	137.3	136.0	+1.7	+2.6
Oil cakes	290.5	298.2	177.6	—2.6	+63.6
Misc. Products	124.5	124.5	124.1	—	+0.3
All Commodities	219.9	217.4	192.2	+1.1	+14.4

Source : Office of the Economic Adviser, Govt. of India.

petrol, aviation spirit, lubricating oil and castor oil.

Industrial raw materials

Lower prices of cotton raw, jute raw & mesta, brought down the sub-group index for "fibres" by 0.6 per cent to 180.3. The prices of silk raw and coir fibres, however, moved up. The sub-group index for "oil seeds" advanced by 2.8 per cent to 290.0 due to higher prices of all the seeds except linseed and cotton seed. The sub-group index for "minerals" remained unchanged at its last months level of 142.5. The sub-group index for "other industrial raw materials" rose by 3.5 per cent to 236.8 due to higher prices of hides raw, skin raw and tanning materials.

Chemicals

The index for "chemicals" group advanced by 1.8 per cent to 206.0 due to an increase in the prices of sulphuric acid, bleaching powder, sodium hydrosulphite and calcium carbide.

Machinery & transport equipment

The sub-group index for "electrical machinery" stood at 171.9 as against 171.7 for the last month. The sub-group index for "non-electrical machinery" advanced by 0.8 per cent to 182.4 due to higher prices of machinery other than electrical and beltings. The sub-group index for "transport equipment" rose slightly by 0.1 per cent to 150.0 due to an increase in the prices of cycles.

Intermediate products

The index for "intermediate products" want up by 2.7 per cent to 228.2 due to a rise in the prices of cotton yarn, rayon yarn, semis, zinc, brass sheets, copper sheets, tin block and lead. The prices of leather, however, registered a fall.

Finished products

Higher prices of cotton manufactures (+1.3 per cent to 170.2) and silk & rayon manufactures (+1.5 per cent to 129.0) raised the sub-group index for "textiles" by 0.6 per cent to 171.7. The index for jute manufactures, however, declined by 1.4 per cent to 185.0. The indices for woollen manufactures and coir mats & mattings remained stationary at their last month's levels of 212.0 and 201.4 respectively. The sub-group index for "metal products" went up by 2.2 per cent to 203.6 due to a rise in the prices of iron & steel manufactures. The index for "non-metallic" sub-group advanced by 0.2 per cent to 161.5 on account of higher prices of pottery goods. The sub-group Index for "chemical products" recorded a rise of 0.7 per cent to 158.1 due to an increase in the prices of paints & varnishes, dyeing materials & essential oils. The indices for 'leather products", "rubber products" & "misc. products" remained unchanged at their last month's levels of 100.1, 159.3 and 124.5 respectively. The sub-group index "paper products" advanced by 1.7 per cent to 139.6. The index for "oilcakes" sub-group declined by 2.6 per cent to 290.5. On the whole the index for "finished products" rose by 0.7 per cent to 172.6 as against 171.4 for the earlier month.

Index Numbers of Industrial Production

(Base : 1960=100)

Item	1971	1972		
		Sept.	Oct.	Nov.
General Index :				
Seasonally Adjusted	186.1	200.4	204.6	199.0
Crude	186.1	198.6	197.1	198.0
Mining and quarrying	153.4	159.4	161.4	166.9
Manufacturing	178.9	191.2	188.9	189.4
Food manufacturing indusries	157.6	173.8	177.6	180.2
Sugar factories and refinetries	141.7	13.0	48.2	186.8
Vanaspati	174.8	187.6	184.9	163.3
Tea	133.2	253.9	232.6	157.2
Coffee curing	197.1	68.8	73.4	70.4
Beverage and tobacco industries	182.5	176.7	168.4	166.0
Cigarette manufacturing	177.9	167.6	161.0	158.6
Manufacture of textiles	106.0	119.7	113.0	108.2
Spinning, weaving and finishing of cotton textiles	105.2	116.5	112.3	105.7
Spinning, weaving and finishing woollen textiles	181.6	N.A.	N.A.	N.A.
Spinning, weaving and finishing of jute manufactures	94.7	96.4	84.3	94.5
Manufacture of paper and products	225.7	206.2	228.0	233.1
Manufacture of paper	229.5	205.0	226.2	230.4
Manufacturing of leather and fur products*	55.3	72.5	53.1	64.5
Manufacture of rubber products	241.8	274.4	223.6	241.1
Tyres and Tubes	295.4	337.1	279.5	286.8
Manufacture of chemicals and chemical products	252.7	248.6	289.0	283.4
Basic industrial chemicals including fertilisers	371.2	381.8	448.9	422.1
Heavy organic chemicals	301.2	370.3	372.4	383.0
Heavy inorganic chemicals	354.7	384.3	398.1	405.1
Synthetic resins and plastics	217.5	451.8	464.4	463.6
Synthetic fibres	232.3	272.8	267.4	253.5
Dyestuff and dyes	187.1	210.3	186.7	205.9
Manufacture of fertilisers	841.3	779.7	1033.8	1145.0
Manufacturing of paints, varnishes and lacquers	119.5	129.5	133.1	134.7
Fine pharmaceutical chemicals	157.6	102.8	123.2	94.8
Fine chemicals	187.4	291.8	256.1	252.4
Petroleum refinery products	316.9	319.3	317.0	309.9
Manufacture of non-metallic mineral products**	207.6	227.4	235.3	226.9
Manufacture of cement (hydraulic)	190.3	196.3	213.2	216.9
Basic metal industries	208.6	223.8	234.2	221.9
Iron and steel basic industries	186.3	204.2	213.9	203.6
Non-ferrous basic metal industries	329.1	330.2	344.1	320.7
Aluminium manufacturing	557.9	558.0	589.1	537.1
Manufacture of metal products except machinery and transport equipment	234.4	243.5	210.1	206.9
Manufacture of machinery except electrical machinery	373.2	403.7	382.8	422.1
Manufacture of industrial machinery	86.3	126.6	94.5	123.8
Machine tools	378.2	442.1	444.9	456.2
Manufacture of electrical machinery	404.8	470.9	399.4	409.0
Manufacture of batteries	243.6	258.5	220.8	240.1
Manufacture of transport equipment	122.1	117.0	126.1	140.5
Manufacture of motor vehicles	168.3	128.8	167.2	182.3
Motor cycles and bicycles	259.7	282.6	296.0	285.0
Manufacture of motor cycles and scooters	634.2	526.8	727.1	663.6
Manufacture of bicycles and tricycles	180.1	230.7	204.3	204.4
Electricity generated	358.5	387.0	391.2	N.A.

Source : C.S.O.

*Except footwear and other wearing apparel.
**Except products of petroleum and coal.

Reserve Bank of India

(Rs lakhs)

	June 1, 1973	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	35,97	57,62	13,78	27,95
Notes in circulation	5,667,88	5,679,28	5,598,95	4,886,29
Total notes issued	5,703,85	5,736,89	5,612,73	4,914,23
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	171,65	171,65	171,65	221,65
Rupee coin	10,78	3,36	9,19	25,77
Government of India rupee securities	5,338,89	5,379,35	5,249,36	4,484,28
Banking department				
Deposits of central government	52,11	46,86	52,01	52,84
Deposits of state governments	20,11	6,28	28,82	14,52
Deposits of banks	311,64	345,27	318,87	248,17
Other deposits	78,75	80,92	78,74	97,50
Other liabilities	1,131,64	1,140,56	1,122,70	1,016,86
Total liabilities or assets	1,594,27	1,619,88	1,601,13	1,429,88
Notes and coins	36,07	57,71	13,86	28,01
Balances held abroad	211,07	231,35	213,95	210,62
Loans and advances to :				
State governments	143,31	198,27	135,77	92,42
Scheduled commercial banks	36,78	108,13	25,44	23,82
State-cooperative banks	255,89	260,89	273,11	242,51
Other loans and advances	129,67	129,50	128,96	87,69
Bills purchased and discounted :				
Internal	13,53	16,54	18,46	4,35
Govt. treasury bills	318,77	314,83	308,68	161,05
Investments	387,49	240,24	425,51	528,45
Other assets	61,70	62,43	57,39	50,94

Scheduled Commercial Banks

(Rs lakhs

	June 1, 1973	A week ago	A month ago	A year ago
1. Demand deposits	3,757,97	3,738,20	3,742,15	3,196,55
2. Time deposits	5,072,24	5,048,41	5,000,45	4,180,19
3. Aggregate deposits	8,830,21	8,786,61	8,742,60	7,376,74
4. Borrowing from Reserve Bank	36,78	108,13	25,44	23,82
5. Cash	246,09	248,49	237,68	197,62
6. Balances with Reserve Bank	329,21	307,56	311,28	256,50
7. Cash and balances with Reserve Bank	575,30	556,05	548,96	454,12
8. Investments in government securities	2,165,62	2,160,69	2,149,39	1,701,26
9. Advances	5,111,84	5,103,37	5,006,41	4,386,96
10. Inland bills purchased and discounted	871,08	874,32	882,33	722,78
11. Foreign bills purchased and discounted	249,78	249,51	252,99	223,04
12. Total bank credit	6,232,70	6,227,20	6,141,73	5,332,79
Percentage of				
(7) to (3)	6.52	6.33	6.28	6.16
(8) to (3)	24.53	24.59	24.59	23.06
(12) to (3)	70.58	70.87	70.25	72.29

Source : Reserve Bank of India.

Money Supply with the Public

(Rs crores)

Week ended	1972	1973				
	May 27	April 27	May 4	May 11	May 18	May 25
A. Money Supply with the Public	8,423	9,545	9,650	9,755	9,720	9,716
Currency with the public	5,026	5,662	5,743	5,848	5,843	5,819
Other deposits with the Reserve Bank	71	46	45	50	40	47
Money	3,326	3,837	3,862	3,857	3,837	3,850
B. Factors affecting Money Supply(1+2+3+4—5—6)						
1. Net bank credit to government sector	6,878	8,113	8,185	8,253	8,196	8,231
(a) Reserve Bank's net credit to government sector	5108	5,879	5,950	6,027	5,962	5,984
(b) Banks' credit to government sector	1,770	2,234	2,235	2,226	2,234	2,247
2. Net bank credit to commercial sector	2,125	2,305	2,256	2,243	2,266	2,272
Of which : Banks* excluding Reserve Bank net credit to commercial sector (a—b)	1,928	2,058	2,011	1,997	2,021	2,027
(a) Claims on commercial sector	6,299	7,286	7,265	7,264	7,315	7,331
(b) Non-monetary liabilities of banks	4,371	5,227	5,254	5,267	5,294	5,304
4. Net foreign exchange assets of banking sector	626	580	572	575	588	589
4. Government's net currency liabilities to the public	419	434	428	431	433	434
5. Net Non-monetary Liabilities of the Reserve Bank	1,025	1,145	1,135	1,116	1,129	1,148
6. Residual	600	743	656	631	634	662

*Excluding Reserve Bank

Source : Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972					1973	
								Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
				(Base : 1949=100)										
All-India	169	191	213	212	215	226	233	235	253	254	255	255	255	259
				(Base : 1960=100)										
All-India				174	177	186	192	193	208	209	210	210	210	213
Ahmedabad	130	148	168	165	169	176	181	185	192	198	200	207	211	215
Alwaye	145	158	183	198	197	198	202	204	215	218	218	217	211	213
Asansol	140	145	168	176	178	189	194	194	210	211	209	206	205	—
Bangalore	144	159	172	180	183	186	194	196	210	214	219	221	223	222
Bhavnagar	132	152	173	176	178	186	194	197	212	216	219	228	232	238
Bombay	130	147	162	167	175	182	190	191	203	203	202	204	205	208
Calcutta	131	148	163	170	172	182	187	186	202	204	205	200	195	197
Coimbatore	132	144	151	147	154	163	177	179	187	188	192	193	193	194
Delhi	136	152	172	178	185	199	211	212	222	223	222	224	226	227
Digboi	138	160	198	185	180	189	188	189	198	198	199	201	198	202
Gwalior	139	160	191	179	184	191	197	197	215	213	214	217	220	222
Howrah	137	154	178	181	176	186	191	190	210	212	211	209	205	206
Hyderabad	140	158	167	173	185	189	195	196	210	212	216	215	215	220
Jamshedpur	136	158	183	171	170	183	187	184	207	210	207	200	200	206
Madras	134	144	151	150	160	170	182	186	199	203	207	211	211	211
Madurai	128	142	146	148	162	183	192	197	201	205	210	219	219	215
Monghyr	151	187	215	185	188	205	204	206	232	234	229	221	223	—
Mundakayam	138	152	173	186	191	197	199	198	213	212	213	214	210	209
Nagpur	138	148	164	166	176	187	192	194	204	204	205	205	204	206
Saharanpur	141	163	188	176	181	186	196	201	211	212	210	215	220	—
Sholapur	128	150	165	167	176	185	198	197	214	218	224	229	229	232

Source : Labour Bureau, Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1966-67	1967-78	1968-69	1969-70	1970-71	1971-72	1972						1973
								Jan.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
All-India	132	146	159	161	167	174	180	182	192	193	194	194	194	195
Bombay	132	142	153	156	162	168	172	171	182	180	186	184	184	184
Delhi-New Delhi	131	142	154	162	168	174	180	181	190	190	190	189	189	190
Calcutta	126	139	152	156	162	170	174	172	182	183	184	182	181	180
Madras	133	147	154	154	161	175	188	194	201	202	204	207	209	210
Hyderabad-Secunderabad	133	147	155	159	167	174	180	184	192	194	196	198	200	202
Bangalore	133	145	156	160	164	172	180	183	190	191	193	195	197	198
Lucknow	132	146	159	156	161	166	174	176	186	186	186	185	185	186
Ahmedabad	131	146	160	162	168	171	173	176	183	184	187	190	193	194
Jaipur	133	150	162	168	176	183	188	191	207	207	206	205	208	208
Patna	139	160	179	174	180	191	190	188	200	200	201	203	202	199
Srinagar	134	143	160	167	174	184	191	194	199	201	202	022	202	203
Trivendrum	131	146	165	168	172	178	184	188	198	197	198	201	203	205
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	186	198	198	200	201	198	196
Bhopal	133	144	166	166	172	180	188	192	205	208	206	208	208	208
Chandigarh	129	143	155	164	171	178	183	186	196	198	194	193	193	193
Shillong	123	134	155	163	164	166	175	173	183	184	185	186	184	183

Source : Central Statistical Organization.

Labour Situation at a Glance

Item	1961	1966	1968	1969	1970	1971	1972
No. of working factories	50,095	64,872	68,599	72,343	76,739*	N.A.	
Average employment ('000s)	3,918	4,702	4,758	4,799	4,977	5,004*	
Average employment per factory	78.2	72.5	68.4	66.3	64.3*	N.A.	
Average money earnings (In Rs)							
Factories (Annual)	1,540	2,112	2,449	2,591	2,725	2,642*	
Coal mines (Weekly)	23:56	34.56	49.77	52.31	54.19	56.27	
Social security scheme coverage (in '000s at the end of March)							
Employees' Provident Funds Scheme (all factories)	2,929	4,570	5,195	5,329	5,604	5,990	6,250
Employees' State Insurance Scheme	1,678	3,129	3,391	3,449	3,665	3,839	3,976
Trade Unions							
Registered (in number)	11,614	14,686	16,716	18,039*	18,423*		
Membership of unions submitting returns (in '000s)	3,977	4,392	5,121	3,821*	1,708*		
Industrial Disputes							
Number of disputes	1,357	2,556	2,776	2,627	2,889	2,752	2,912
Number of workers involved (in '000s)	512	1,410	1,669	1,827	1,828	1,615	1,593
Number of mandays lost (in lakhs)	49.19	138.46	172.44	190.48	205.63	165.45	179.21
Number of mandays lost per 1000 workers in manufacturing	1,022	2,041	2,548	2,903	3,353	2,404	N.A.
Industrial injuries (In lakhs)	1.60	2.09	2.27	2.63	2.88	0.70*	
Frequency rate per 1000 workers employed	16.18	18.08	19.45	22.23	24.28	N.A.	
Prices : All-India							
Consumer Price Index (1960=100)	104	151	177	175	184	190	202
Wholesale Price Index (1961-62=100)	100	144.5	165	169	179	186	201

*Provisional NA=Not Available. **Source** : The Employers' Federation of India.

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S. No.	Name of the Indian company	Name of the foreign company	Item of manufacture
1	2	3	5
		India—Austria	
1.	M/s Zenith Steel Pipes Ltd., 195, Churchgate Reclamation, Bombay-20.	M/s Bohler Bros, Austria.	Industrial Knives.
		India—Belgium	
2.	M/s Calico Industrial Engineers, 20A, Chakla, Andheri, Bombay-58.	M/s Callebaut-De-Blicquy, 1190, Bruxelles, 73, Chaussee De Ruysbroeok, Belgium.	Dyeing Machines.
		India—Canada	
3.	M/s National Industrial Development Corporation Ltd, Chanakya Puri, New Delhi-21.	M/s H.A. Simons, Canada.	Development and Designing capabilities in the field of pulp and paper industry.
		India—Czechoslovakia	
4.	M/s Crescent Agencies Pvt. Ltd, 27/33, Medows Street, Fort, Bombay-1.	M/s Motokov Foreign Trade Corporation, Praha 7, Czechoslovakia.	Engine Valves.
		India—France	
5.	M/s Jessop & Co. Ltd, 63, Netaji Subhas Road, Calcutta-1.	M/s CREUSOT-LOIRE, Paris, France.	Hydraulic Circular saw machines and saw blade sharpening machines.
6.	Bharat Heavy Plate and Vessels Limited, Visakhapatnam (AP).	M/s ETS Eignier Schmid-Laurent, 25 Quai MarceI Boyer, 94, Ivry-Sur-Siene, France.	Large capacity oxygen, nitrogen, ethylene, argon and GNL storage tanks.
7.	Bharat Heavy Plate and Vessels Ltd, Visakhapatnam (AP).	M/s L'Air Liquide, 75, Quai d'orsay, Paris, France.	Storage and transportation vessels and distribution means for cryogenic liquids.
		India—G. D. R.	
8.	M/s Wela Engine-Valves Co. (India), 2E/22 Jhandewalan Extension, New Delhi-55.	M/s Wela Ventile Hermann Seidler KG, GDR.	Engine Valves.
		India—Italy	
9.	M/s Andhra Pradesh Industrial Development Corporation Ltd, Hyderabad (AP).	M/s Ceat International SPA, Turin, Italy.	Automobile Tyres and Tubes.
		India—Japan	
10.	M/s I.E.C. Pumps & Tools (Pvt) Ltd, 603 (new) Sadashiv Peth, Laxmi Road, Poona-30.	M/s Uryu Seisaku Ltd, Osaka, Japan.	Portable Tools.
11.	M/s Surya Industries, C/o M/s Surya Trading Corpn. India Pvt. Ltd, 6-B/8, N.E.A. Rajinder Nagar, New Delhi-60.	M/s Kuroda Denshi Kogyo KK, Japan.	Carbon Film Resistors.
12.	M/s Power Cables Pvt. Ltd, 184/185, Golf Links, P.B. No. 3004, New Delhi-3.	M/s Showa Electric Wires and Cables Co., Japan.	Cross linked Polyethylene Cables.
13.	Mr Chaparala Bhagwandas, C/o Pressteels & Fabrications, Sanatnagar, Hyderabad-18.	M/s Tadano Iron Works Company Ltd, Tokyo, Japan.	Truck Mounted Hydraulic Cranes.

(*Contd..*)

F—Financial participation also.

1	2	3	4
14.	M/s Star Textile Engg. Works Ltd, Dhanraj Mahal, Apollo Bunder Road, Bombay.	M/s Toshin Kogyo Co., Japan.	Automatic Screen Printing Machine.
15.	M/s Tamil Nadu Chemical Products Ltd, 5-K, Veerabhadra Iyer Street, Nungambakkam, Madras-34.	M/s Mitsubishi Gas Chemical Co. Ltd, Tokyo, Through M/s Mitsubishi Corporation, Tokyo, Japan.	Sodium Hydrosulphite.
		India—Netherlands	
16. (F)	M/s Das Reprographics Private Ltd, Taratalla Road, Calcutta-53.	M/s Van Der Grinten, N.V. Venlo, Netherlands.	Electrostatic Photocopying Machine and Electrophoto based Paper.
		India—Poland	
17.	Hindustan Zinc Limited, Udaipur.	M/s GENTROZAP, 7, Ligonia Street, Katowice, Poland.	Zinc smelter and ancillary facilities at Visakhapatnam (Andhra Pradesh).
		India—Switzerland	
18.	Shri Vinod Kumar Gupta, Churiwalan, Delhi-6. (Small Scale Unit).	M/s Baumgartner Freres S.A, 2540 Grenchen, Switzerland.	Stop watches and Transistorised Time Pieces.
19. (F)	M/s Caracters Types Private Ltd, 13, Sardar Patel Marg, Allahabad-1.	M/s Caracters S.A. Neuchateu, Switzerland.	Steel Types for Typewriters & Teleprinters etc.
		India—U.K.	
20.	Mr. N. G. Nair, 28/592, V.T. Building, Palkulanagara, Trivandrum-1, Kerala.	M/s Autela Components Ltd, Manchester, England.	Automobile Brake Linings etc.
21.	M/s Textile Machinery Corporation Ltd, Belgharia, Calcutta-56.	M/s H.W. Ward & Co. Ltd, Birmingham (UK).	No. 2 Capstan Lathes.
22.	M/s Larsen & Toubro Ltd, L &T House, Narottam Morrajee Marg, Ballard Estate, Bombay-1.	M/s Standard Telephones & Cable Ltd, Holbrook House, Cockfosters (BARNET), Herts, UK.	Telemetering and Telecontrol System.
23.	M/s Usha Telehoist Ltd, 14, Princep Street, Calcutta-13.	M/s Telehoist of UK.	Tipping Gears.

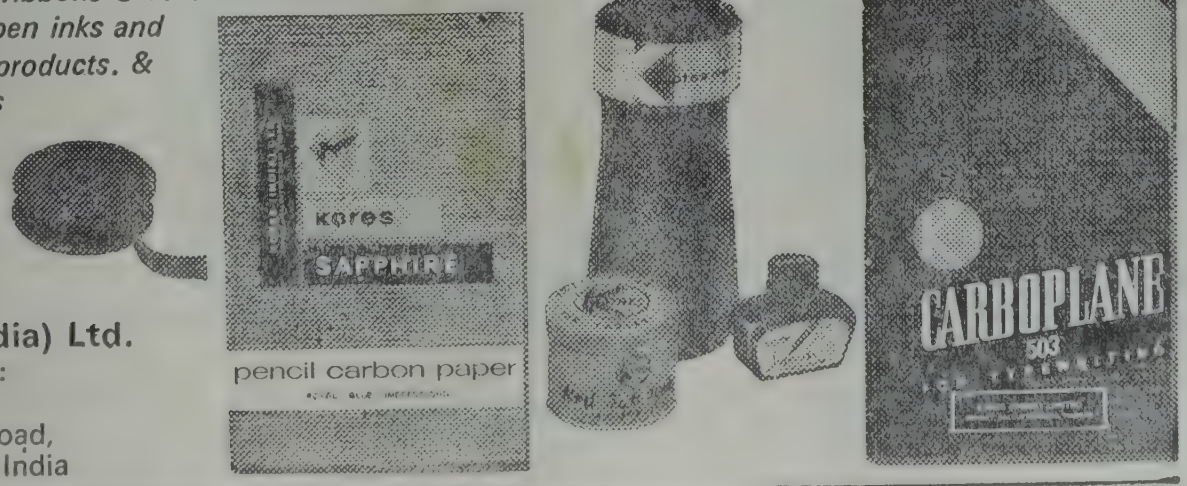
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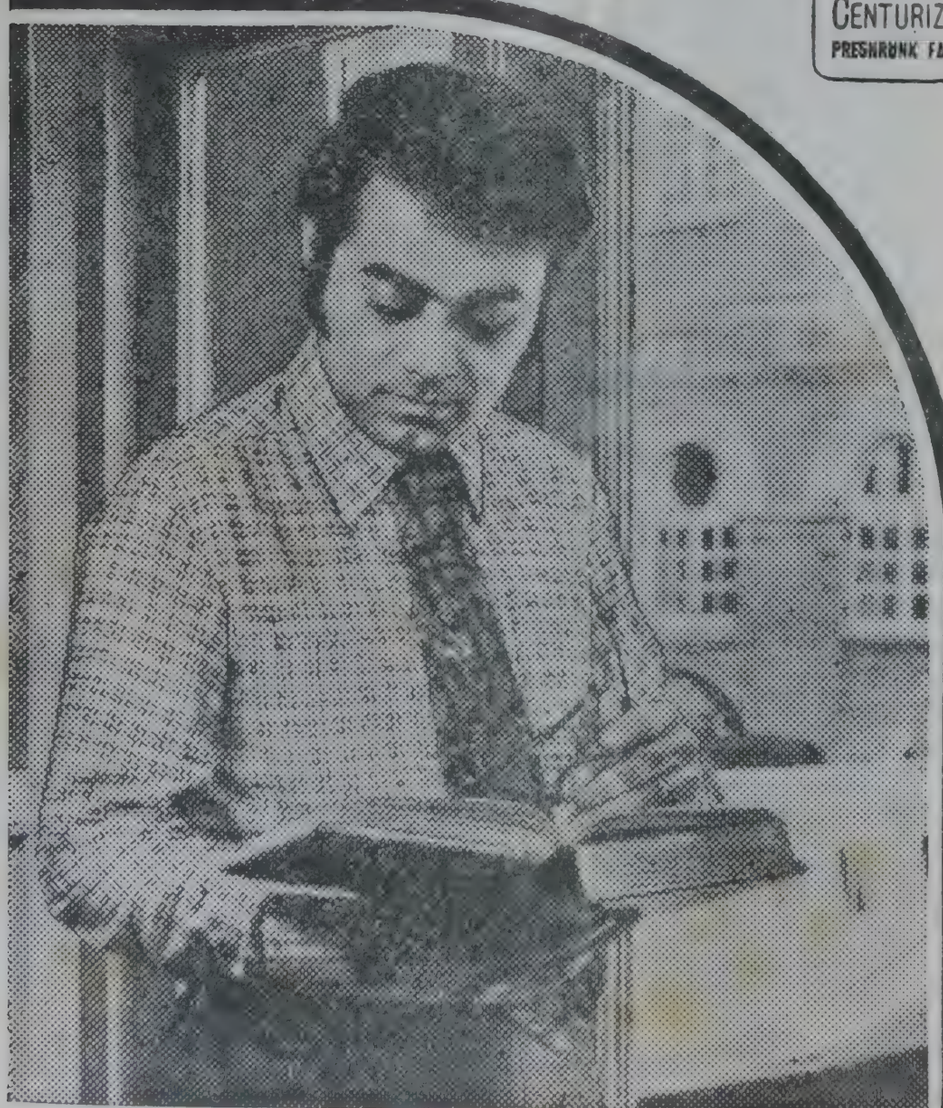
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